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EDITORIAL PREFACE

This is *Fourth* Issue of Volume *Ten* of the International Journal of Business Research and Management (IJBRM). The International Journal of Business Research and Management (IJBRM) invite papers with theoretical research/conceptual work or applied research/applications on topics related to research, practice, and teaching in all subject areas of Business, Management, Business research, Marketing, MIS-CIS, HRM, Business studies, Operations Management, Business Accounting, Economics, E-Business/E-Commerce, and related subjects. IJBRM is intended to be an outlet for theoretical and empirical research contributions for scholars and practitioners in the business field. Some important topics are business accounting, business model and strategy, e-commerce, collaborative commerce and net-enhancement, management systems and sustainable business and supply chain and demand chain management etc.

The initial efforts helped to shape the editorial policy and to sharpen the focus of the journal. Started with Volume 11, 2020 issues, IJBRM appears with more focused issues relevant to business research and management sciences subjects. Besides normal publications, IJBRM intend to organized special issues on more focused topics. Each special issue will have a designated editor (editors) – either member of the editorial board or another recognized specialist in the respective field.

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IJBRM editors understand that how much it is important for authors and researchers to have their work published with a minimum delay after submission of their papers. They also strongly believe that the direct communication between the editors and authors are important for the welfare, quality and wellbeing of the Journal and its readers. Therefore, all activities from paper submission to paper publication are controlled through electronic systems that include electronic submission, editorial panel and review system that ensures rapid decision with least delays in the publication processes.

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Human Energy and Immaterial Communication: The missing link for Inspirational Leadership? A Theoretical Paper

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Abstract

Why does Harvard Business Review consider the article 'Pygmalion in Management' from the 1970s as one of the best in the area of Motivation, and yet there has been negligible research about this topic in the field of leadership? Probably because the Pygmalion Effect can only be studied using complexity sciences. This paper covers the scientific discoveries in the field of human energy in the last century, and connects them to an interdisciplinary analysis of quantum mechanics, bio-fields, neuroplasticity, and epigenetics, in order to give novel explanations of how the Pygmalion Effect happens and how it is essential to understand leadership and vanguard management. Hence, a new leadership soft-skill is constructed: immaterial communication. This new leadership construct is helping reduce the 86% rate (Gallup, 2013) of disengaged workers around the world. A descriptive proposal of operationalizing Immaterial Communication is presented at the end.

Keywords: Management Innovation, Complex Theories, Business Transformation, Business Communication, Interdisciplinary Leadership.

1. INTRODUCTION

Jim Collins said that almost all 'Level 5' great leaders had a "charisma bypass", which means that the traditional idea of personality as a foundation of leadership is wrong. Collins boldly stated that "we should never confuse charisma with leadership... they are very, very different ideas"¹. Terry Mollner (2010:171) stated that when Father Arizmendi—the founder of the biggest, most profitable, and most sustainable cooperative in the world, Mondragon—talked to his employees, people almost fell asleep. These cases challenge the traditional idea of mammoth leaders, with a great look, great communication skills, and a big charisma that *hypnotizes* people only with their presence. That was, and still is, the traditional imagery of a leader (see Mintzberg, 2010; Collins, 2001). The challenge is that Collins and his team found that from Fortune 500 companies list in a 30-year period, only eleven companies achieved that *greatness*. One of the seven patterns that made these eleven companies great was having a humble leader. When Collins and his team wrote the book "From Good to Great", this was shocking for the academic and management *establishment*. Still is. The idea that humility and not *hypnotizing-charisma* was the source of great leadership was not consistent with 30 years of research studies on leadership.

How can a humble, merciful, introverted human being become so powerful that can lead companies like Gillette and Walgreens towards huge successes? Talking about Darwin Smith, the CEO who transformed in the 70s Kimberly-Clark, Collins stated that, compared to Lee Iacocca and Jack Welch, "Darwin Smith seems to have come from Mars. Shy, unpretentious, even awkward". Collins continued and affirmed that "if you were to consider Smith soft or meek, you would be terribly mistaken. His lack of pretense was coupled with a fierce, even stoic, resolve

¹ Hesselbein Leadership Academy University of Pittsburg. Talk given by Jim Collins about 'Level V Leaders'. Visit <https://www.youtube.com/watch?v=q-KyQ90XByY> Surfed April 2016.

towards life” (Collins, 2001:138). Complementing this reality, Owens and Hekman’s research about humble leadership, based on real business cases, established three distinctive behaviors in leaders: Admitting mistakes and limitations, modeling teachability, and spotlighting followers’ strengths and contributions (2012:792). If we carefully analyze Collins, Owens and Hekman, and Mollner research, a very important leadership soft-skill emerges: inspiration. It can be found in relevant leadership literature and research (see Mintzberg, 2010; Collins 2001; Hamel & Breen, 2012; von Kimakowitz, 2011; Koznes & Posner, 2008; Goleman, 2005; Secretan, 2003; Senge, 1995). However, the ‘inspiration’ construct is a difficult one for the social sciences. How can a manager inspire a colleague or a group? Are we missing something? Do we have to include *human energy* when talking about inspirational leadership?

Several challenges arise with these questions. If it is a soft-skill, then it has to be a competency, meaning an “observable and measurable knowledge, skill, ability or personal characteristic”, as the National Research Council of Canada defines it. So it must be measurable. The NRC states that “Inspirational Leadership is about energizing and creating a sense of direction and purpose for employees and excitement and momentum for change. It involves energizing individuals to strive towards a compelling vision of the future” (NRC, 2019). Measuring and having a scale for an ‘energized individual’ is a conundrum. Mankins and Garton (2017) have been working on highlighting the importance of *time*, *talent*, and *energy* in successful businesses, and developed a list of 33 traits that can be traditionally measured. This could explain why Eric Garton (2017), in his Harvard Business Review article, stated that “while anyone can become an inspiring leader (they’re made, not born), in most companies, there are far too few of them”. Management and business argot is filled with words like ‘power’, ‘mindfulness’, ‘energizing meetings’ and so forth, but traditional academia does not know how to grip *immaterial* competencies. That explains why we need an alternative and interdisciplinary approach to better understand how to become an inspiring leader, and to complement the recent literature, which is the main goal of this paper.

But this inability of traditional management academia is not new. In the 1970s, Sterling Livingston wrote ‘Pygmalion in Management’, a classic in management literature. So, why does Harvard Business Review consider the article ‘Pygmalion in Management’ as one of the best in the area of Motivation, and yet there has been negligible continued research about this topic in the field of leadership? As mentioned before, immaterial competencies are hard to analyze with Newtonian approaches. We need to use complex sciences and vanguard scientific discoveries that are ‘hidden’ for the traditional management discipline, as it happened with Livingston’s ideas of inheritance. To close the gap on this subject, this paper will first cover Livingston’s main ideas, the framework of a non-traditional inspirational leadership understanding, and the need for management discipline. Then, the main scientific discoveries in the last 50 years are discussed in order to find the relationship with an immaterial inspirational leadership competency, which creates a new construct that can close this gap: *immaterial communication*. Finally, the results of this paper clears the way for other scholars to consider a more holistic research approach, e.g. Peter Seng research work, and include immaterial competencies in their theory and practice.

2. PYGMALION IN MANAGEMENT AND THE LEADERSHIP CONTEXT

Starling Livingston stated that the Pygmalion Effect was “what managers expect of subordinates and the way they treat them largely determine their performance and career progress” (Livingston, 2003[1969]:98) what can be explained as the “Power of Expectations” (Ibid., 100). Positive expectations, or the Pygmalion Effect, have direct consequences in the performance of coworkers. The highest the expectation, the highest the performance will be. The Pygmalion Effect, or self-fulfilling prophecy, is *the mental image a leader has about their subordinates and co-creates the reality that emerges by the subordinate on their performance*. Harvard Business Review’s editors wrote that the Pygmalion Effect “has been confirmed so many times, and in such varied settings, that it’s no longer even debated” (HBR, 2003:97). Starling Livingston made another important, but underestimated finding about the Pygmalion Effect. Positive expectations are somehow communicated to the employee, but science has had the challenge to explain how this communication happens. Which senses are used? Is it part of the verbal or non-verbal

communication? Or is it another channel that we use? If yes, which one? Thus, Livingston (2003 [1969]:100) found some appealing evidences, since he stated that it was “virtually impossible for them [leaders] to mask their expectations because the message is usually communicated unintentionally, without conscious action on their part”. It is challenging for traditional science to explain this. Maybe this could explain why this line of research has almost stopped in traditional management scientific journals.

More than five decades ago, in the ‘Best in Motivation’ book by Harvard Business Review, several leadership topics were covered, like empowerment, Management by Objectives (MBOs), and intrinsic motivators. It is interesting to highlight that these three topics have had much more development in the last decades than the Pygmalion effect had. For example, an EBSCO search of ‘Pygmalion effect’ only shows 291 cases in more than 60 years in all EBSCO databases.² Compare this to the 736,477 cases after putting ‘leadership’ in the search, or 99,691 when putting ‘leadership’ in the title of all EBSCO databases³. If we search only the word ‘Pygmalion’, in the ‘Abstract/title’ option in all Academy of Management Journal issues, only 7 cases appeared⁴. As stated, we need a different approach to put into the management discourse *immaterial* soft-skills. Based on interdisciplinary vanguard science, we know today that this ‘unconscious communication’ from leaders was not a ‘hidden’ message in non-verbal communication. It is rather an intentional message using *immaterial competencies*. Why *immaterial competencies* are important in the field of leadership? As mentioned before, the power of positive or negative expectations and the inspiration are highly relevant topics. Thus, every leader must work on developing this soft-skill, and every corporation should develop training sessions, so *immaterial competencies* are part of the skills needed in their workplace. Not doing so, just because it is a new construct, creates the risk of having a low impact within all the development skills workshops structured in a company, as Chris Argyris (2010) and Edgar Schein (2013) firmly stated. If companies want to increase engagement, motivation, innovation and productivity, Argyris (2010:17) argued that it won’t be possible if “people get trapped in the same pattern of behaviour”. And, even worse, Argyris (ibid, 88-117) revisited almost all the ‘state-of-the-art’ leadership theories and practices developed in the last three decades (i.e. transformational leadership, developing leadership competencies, leading effectively with conflict, personality types, appreciative inquiry, competing commitments) and his conclusion is worrisome, since “no advice for dealing with such issues [engagement, non-defensive behaviour, change, better communication] is given”.

Concomitantly, Edgar Schein argued, in line with Argyris and Collins, that we need to give a countercultural switch to the traditional Leadership approach. Schein specifically worked on communication, and stated that “we must become better at asking and do less telling in a culture that overvalues telling” (Schein, 2013:3). Since asking “arouses positive helping behaviour in the other person” and it is based on feelings, humble inquiry, curiosity, and interest—which are all linked with positive expectations and inspiration arousal approach—thus a milieu of psychological safety is created (Ibid, 19). Schein concluded that “what differentiates this form of inquiry is that it influences the other’s *mental process*” (ibid., 43). As a summary, these important elements mentioned so far are part of *immaterial competencies*: *Mental processes*—Schein; *non-defensive communication*—Argyris; and *authenticity & humbleness*—Collins.

The reality is challenging. Alternative approaches to leadership are needed since the management has to be enhanced with state-of-the-art approaches. For example, to name such a few, in the ‘Global Human Capital Trends 2015’, Deloitte’s team showed their latest research

² The unstructured search was conducted putting the word ‘leadership’ in all EBSCO databases search in all text and you get 623,901 cases, with ‘engagement’ you get 188,651, and with ‘communication’ 2,941,127. However, if you enter ‘intuition’ you get 16,886, ‘mindfulness’ 7,074, ‘ESP (extra-sensorial perception)’ 387. Going deeper, with ‘intuitive communication’ you get 134, with ‘self-fulfilling prophecy’ 1,465, with ‘observer-expectancy effect’ 4, and with ‘Pygmalion effect’ 291. With ‘immaterial communication’ we got 3 cases. Search results obtained in Universidad EAN’s databases using EBSCOhost on internet on January 15th, 2016.

³ Search conducted in January 2018 using Universidad Católica de Colombia’s EBSCO databases.

⁴ Search conducted in July 2016.

about how to lead in *the new world of work*⁵, “one that requires a dramatic change in strategies for leadership, talent, and human resources” (May et.al, 2015:2). The overall results of this research pose several challenges. The top priorities for corporations are culture, engagement, and leadership. However, the bigger gaps between *global importance* and *readiness* of the organization are in these two critical management elements. They are the most important, 78%⁶, but the gap with readiness is the biggest too, 47 points for culture and engagement, and 42 points for leadership (Ibid, 4). This clearly means that corporations know what they need to focus in terms of talent and human resources, but they *don't know how to do it*. Billions of dollars are invested in corporations around the globe to ‘develop leadership skills’ (Argyris, 2010) and the end result does not meet the expectations (Hamel & Breen, 2012).

In addition, people change more rapidly than the cultural organization. It is not only about *millennials*, is about what engages people. Deloitte found that “today’s workers have a new focus on purpose, mission, and work-life integration” (May et.al., 2015:37). Career ambition is not the driver anymore. Leaders need to truly inspire their colleagues. Engagement is a complex construct, closely linked to inspiration, motivation, dialogue, and authenticity (see Kouzes & Posner, 2008; Csikszentmihalyi, 2008; Maslow, 1968; Largacha-Martínez, 2014). All of them are part of interdisciplinary leadership. Engage means to *be involved* in order to “establish a meaningful contact or connection with ...”. A new mindset, attitude, behaviour, and skills are needed. The data show that companies are not ready for this challenge since 93% of Deloitte’s companies don’t have a structured engagement program and/or policies. This means that these companies have poor programs in terms of “measuring, driving, and improving engagement and retention” (May et.al., 2015:36).

The traditional management mantra of ‘command and control’ has given humanity great achievements, but we are paying a big price so “perhaps the time to renegotiate the deal has been reached”, as Gary Hamel & Bill Breene (2012:11) reflected. This explains why Hamel wrote, “management is obsolete” (Ibid.).

3. IMMATERIAL LEADERSHIP COMPETENCIES: AN INTERDISCIPLINARY [RE]VIEW

Although immaterial communication is a new construct, it was built upon former scientific research, presented within their disciplines in the next list: flow & positive psychology (Csikszentmihalyi, 2008); self-actualization (Maslow, 1968); intuitive intelligence (McCraty & Zayas, 2014; Bradley et.al., 2008); emotional intelligence (Goleman, 2005), intuition (Osho, 2007); biofeedback and biofields (Vernon, 2005; McCraty, 2003; McTaggart, 2001); emergence and human fields (Senge et.al., 2004), humanistic management (von Kimakowitz, et.al.), quantum/non-linear management (Zohar, 1990; Wheatley, 1992), asking in dialogue vis-à-vis telling (Schein, 2013); social leadership (Goleman & Boyatzis, 2008); reinventing management (Hamel & Breen, 2012); relational intelligence and communication (García & Sanhueza, 2013); positive vulnerability (Brown, 2015); neuroplasticity (Doidge, 2007; Arrowsmith-Young, 2012); uncertainty and strategy (D’Souza & Renner, 2014); transcending managerial mindsets (Argyris, 2010); Pygmalion effect and/or the self-fulfilling prophecy (Livingston, 2003; McNatt, 2000), which can also be found as the interpersonal expectancy effect (Rosenthal, 1997). This list helped to create Figure 1, where six elements are important to create better the bridge between management and interdisciplinary approaches.

⁵ Here is a brief overview of the sample used in that research: ‘*The research described in this report involved surveys and interviews with more than 3,300 business and HR leaders from 106 countries done in 2015. All the data from this research can be viewed by geography, company size, and industry using an interactive tool, the Human Capital Trends Dashboard*’. This tool is available at www.deloitte.com/hcdashboard.

⁶ Also “An overwhelming 87 percent of respondents believe the issue is “important,” with 50 percent citing the problem as “very important”—double the proportion in last year’s survey.” (May et.al., 2015:35).

⁷ Apple Dictionary version 2.2.1. (2005-2011).

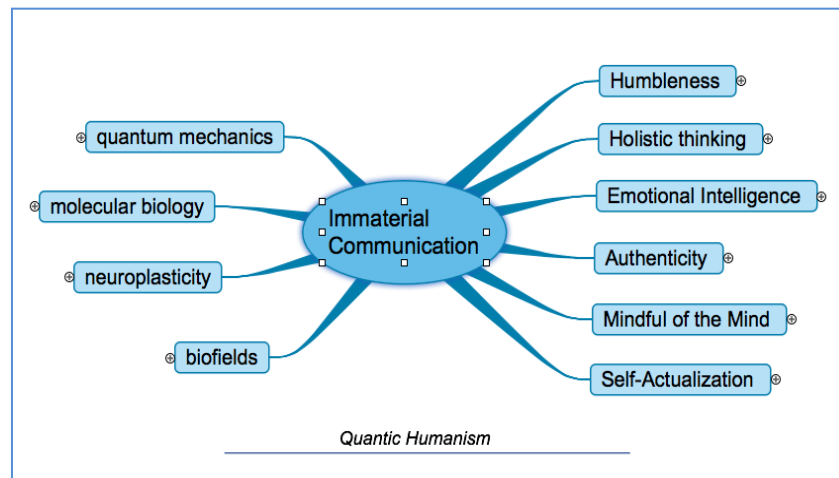


FIGURE 1: Immaterial Communication. Developed by the Author.

In Figure 1, the interdisciplinary scientific foundations of the *immaterial communication* are included and, in the right column, the management elements that emerge or are interiorized by an inspiring leader. These six management elements, although not presented in this article, are highlighted. The reader can connect the bridge between the scientific foundations and the leaders' soft-skills. If the reader wants to dwell more onto these topics, here is a brief list of the salient authors in the six salient topics: *humbleness*: the work of Jim Collins and the AMJ's article by Owens and Hekman; for *holistic thinking* the work is done by Peter Senge and its associates at MIT and SoL, plus Chris Argyris; for *emotional intelligence* Daniel Goleman will be the leading one, going also to his latest 'social leadership'; for *authenticity*, the work done by Brene Brown using her social work approach, plus the interesting work done by positive psychologists like Mihaly Csikszentmihalyi, and the work done by Murphy and Largacha-Martínez in quantic humanism; about the mind, more than works on the mind for immaterial communication is more important being *mindful about the mind*, so the work done by Howard Gardner and his MIT's theory is relevant, plus the work is done by Rollin McCraty at the HeartMath Institute; and last for not least, Abraham Maslow's superb work on *self-actualization* is also scrutinized.

The scientific foundations of the immaterial competencies are presented in the following paragraphs highlighting their interconnectedness and the links to the leadership arena. Since the new construct *immaterial communication* is holistic, none of the four is more important than the other, and they are not defining all the elements and constituents of immaterial communication, because that is impossible in a holistic approach. The four pillars of immaterial communication are: quantum mechanics, molecular biology, neuroplasticity, and biofields.

Based on scientific discoveries and in an interdisciplinary analysis (see Radin, 2006; Lipton, 2008; Sheldrake, 2009; Livingston, 2003), immaterial communication for me *is a third way of communication that humans have based on bio-resonance, where people are able to perceive and decode the immaterial information embedded in humans' energy*. It fully enhances the verbal and non-verbal communication channels. Immaterial Communication can be paralleled as the communication that humans can recognize, except that they are not able to explain it using the five senses. For example, perceiving that someone is staring when you have your back to him (see Sheldrake, 2013). In immaterial communication, people start saying words like mind, energy, human chemistry, intuition, and faith. Bio-resonance and/or scalar waves are based on the science of Nikola Tesla and Konstantin Meyl (2003). Human scalar waves are based on the discoveries by Nikola Tesla, since he "proposed two types of energy existed in the cosmos: scalar and electromagnetic energy" (BCL, 2019) (see Meyl, 2001). Furthermore, "bio-resonance is based on receiving the information from a living organism that gives out energy. The term

energy is used to describe the various subtle frequencies or vibrations that each one of us emits constantly.” (BCL, 2019; see Saatchi, 2018; Hennecke, 2012).

The next parts are the scientific interdisciplinary approaches that helped create this new construct *immaterial communication* and its link with inspirational leadership. These four scientific disciplines—quantum mechanics, molecular biology, neuroplasticity, and biofields—have a common pattern: they are relational in nature.

3.1. Quantum Mechanics

Everything is entangled, so you cannot talk about independent, objective elements in the universe. If you want to know something about A, you need to know about B, and C. If you try to know B without knowing the attributes of A, A disappears, *does not exist* and does not have any attribute. Daniel Bell demonstrated that interconnectedness is a reality. Thus, there are is not *independent* stuff in the universe (Cushing & McMullin, 1989; McTaggart, 2001). Objectivity, measurable causation, and neutrality are no longer possible in the quantum world. These have to be redefined and deconstructed. Non-locality, irreducibility, and indeterminism are the new *mantras* for society and should be applied to leadership and management. Hence, non-locality or non-separability (Bell), the indeterminacy of position vis-à-vis momentum (Heisenberg), and complementarity of opposites (Schrödinger) are highly salient. In a nutshell, Morales (2002, págs. 4-8) presents what he called the ‘bombs’ to modernity:

“Principle of complementarity—“a corpuscle can behave as a wave or a particle”; principle of uncertainty—“breaking from the sort of certainties proposed by Isaac Newton”; anthropic principle—“the observer modifies the experiment with his/her observations”; Nonseparability—“pristine and autonomous laws, in short, do not exist”; Acausality—“atoms appear and disappear through a process that is spontaneous and not casual”; complexity—entropy leads to higher orderly complexity; ubiquity—“particles behave in such a way that they can be found in many places at once”; Morphogenetic fields—represent “modalities of structures, rules, behaviors ideas and tendencies, each one informing particular aspects of reality”; the existence of “A” and “Not-A” at the same time, or fuzzy math; beauty as the corroboration of the relevance of a theory, or Brian Greene’s “elegant universe”; the universe as a hologram, “that is, each part contains the whole”; manifest and implicate order, from Bohm’s theories; no distinction between matter and energy, mind and body.” (Ibid.)

In a way, almost all of these concepts are present in the immaterial communication and crisscross with the other three scientific foundations—biofields, neuroplasticity, and epigenetics. As stated, it is not possible to know the all the attributes of a thing, because their constituent elements are not independent. Thus, all of the essential elements balance one another and cannot be isolated. Non-Locality is very relevant for immaterial leadership competencies. The locality has been present in Newtonian versions of reality in the last centuries, meaning that only elements that ‘act inside’ the site have to be taken into consideration. However, with this quantum discovery, the ‘butterfly’ effect is understood to be immediate and widespread. The result is that once A & B interacted, they will continue to be interconnected forever (Nicolescu, 2002, pág. 17), no matter how distance they are from each other—challenging Einstein’s speed of light theory. J.S. Bell’s theorem was demonstrated in 1982 (Herbert, 1987) which gives scientific foundations for interdisciplinary approaches or holistic ones. For example, the self-fulfilling prophecy or Pygmalion effect.

Founded in non-locality David Bohm developed the theory of the implicate/explicate order (see (Bohm, 2002) (Wilber, 1982)). In the implicate dimension, attributes cannot be observed but must be intuited, similar to Jung’s “collective unconscious” (Jung, 1976) (O’Murchu, 2003, pág. 57). This kind of *intuition* is what Livingston found in management last century, and it is the basis for immaterial leadership competencies. Holism “is not a landscape of facts or objects, but one of the events, of process, movement, and energy. In this creative flow, past, present, and future are indistinguishable” (O’Murchu, 2003). Ken Wilber (1982, pág. 3) presents the “holographic reality”

where “the brain is a hologram perceiving and participating in a holographic universe”, and the theory “establish the “supernatural” as part of nature ... draw on theoretical mathematics” (Ibid, 5). This holographic-holistic rendition of attributes is scientifically proven by the Field Theory—Sheldrake’s morphic resonance—where fields are understood as “nonmaterial regions of influence” (O’Murchu, 2003, pág. 67).

As Lynne McTaggart reminded us of all the quantum discoveries, “quantum mechanics had demonstrated that there is no such thing as a vacuum, or nothingness” (2001:19) which united with the *nonmaterial regions of influence*, give us a strong foundation for the existence of immaterial communication as one key soft-skill in inspirational leadership. In the end, McTaggart (2001) concluded that everything is energy, and everything is connected by fields, quantum fields. A leader’s thought, as Levingston found, is energy that can influence positively or negatively worker’s behavior. In the coming sections, more occurrences of quantum mechanics are present, emerging in synergy and interaction with the other three scientific disciplines, making immaterial competencies a necessary interdisciplinary reality.

3.2. Molecular Biology

Molecular biology is also challenging several deep-seated beliefs, like the one that states that your DNA is the one that gives an imprint on your siblings. Wrong. It is the ‘*magical membrane*’⁸, as Bruce Lipton calls it. Are cells conscious? And if they are, does consciousness help explain the immaterial communication that humans have between humans and the environment? The answer is yes. That discipline is called epigenetics⁹. As Bruce Lipton (2008, xiii, xiv) said in the prologue of his book *The Biology of Belief*, “it is a single cell’s “awareness” of the environment that primarily sets into motion the mechanism of life” so “the character of our lives is determined not by our genes but by our responses to the environmental signals that propel life”.

As stated, if you want to develop the Immaterial Communication managerial skill, one of the pillars is *authenticity*, which emerges as an outcome of a positive vulnerability approach towards life, i.e. optimism, resilience, perseverance, contemplation. The challenge is that positive vulnerability fuels authenticity which fuels empowerment but 99% of the world population “is still operating from antiquated and disempowering beliefs about being victims of their genes” (Lipton, 2008:xvi). In the end, your “cells respond to your thoughts” (ibid), and that is a very vanguard argument. So your thoughts, your expectations, affect the cells of your workers, as with the Pygmalion effect, and the mirror neurons as the biological basis of empathy (Goleman & Boyatzis, 2008).

A consequent challenge is that Immaterial Communication will only occur if *self-actualization* is present. Self-actualization emerges when the individual has a deep sense of worthiness. A deep connection to the collective unconscious must be alive. This ‘deep sense’ does not mean that the human being has to be an expert in self-knowledge. What it means is that the person is *open* to the possibility of the existence of the connection between herself and the holistic reality around her. And by opening her-self, then self-actualization can emerge, then immaterial communication starts to ‘exist’, to be present. Lipton (2008:xxviii) puts this, from a molecular biology perspective stating that “positive thoughts have a profound effect on behavior and genes but *only* when they are in harmony with subconscious programming”. Hence, *opening* yourself demands a positive vulnerability approach, and in that *space*, a connection to your deeper sense of being alive emerge, or the subconscious programming.

The challenge appears when Lipton (2008:7) scientifically demonstrates that cells are “imbued with intent and purpose” and capable of learning, create memories and “pass on to their

⁸ Lipton (2008:45) refers to the magical membrane as “the mechanisms by which your body translates environmental signals into behavior”, and into beliefs.

⁹ “Epigenetics is the science of how environmental signals select, modify, and regulate gene activity. This new awareness reveals that the activity of our genes is constantly being modified in response to the life experiences. This again emphasizes that our perceptions of life shape our biology”. And Lipton (2008:xv, xxvii) continues stating that the “environment (nature) influences the behavior of cells without changing the genetic code”.

offspring". That is why Lipton's most famous book is called '*The Biology of Belief*'. Aren't beliefs the bedrock of paradigms, of behavior and of corporate culture? So, shouldn't managers pay attention to these issues if they want to be excellent, Level-5 executives, according to Collins' classification? No wonder that the bedrock of corporate executive excellence lies in *humbleness*. Being humble is a need for opening yourself. Humility is a belief/attitude/behavior *sine qua non* for immaterial communication success. Humble leadership is a strong trait and not a signal of weakness. Switch your mind.

Systemic thinking is now being part of molecular biology. This should be applicable to the field of management too (Senge, 2005; Senge et.al. 1994; Mackey & Sisodia, 2014). In fact, cooperation and observable relationships in animals are part of a new discipline called 'Systems Biology'. What is interesting is that formerly ostracized biologist, Jean-Baptiste de Lamarck, is now being right in his theory. And what is more astonishing is that Charles Darwin was wrong, just as with Einstein's story before. Challenging the traditional *modernituous*¹⁰ paradigm is a must if immaterial communication can emerge as a possibility. Hence, "we need to move beyond Darwinian Theory, which stresses the importance of *individuals*, to one that stresses the importance of *community*... Evolution becomes a matter of the survival of the fittest *groups* rather than the survival of the fittest individuals." (Lipton, 2008:15).

This applies also to companies. Among the authors who have a team-approach for decision making and strategy, like Morning Star, Vagas, or Semco¹¹, just to name a few, the financial, sustainable, and engagement results are outstanding (von Kimakowitz, 2010; Hamel & Breen, 2012; Mackey & Sisodia, 2014). Without doing anthropomorphism, the idea here is that immaterial communication is based on the relational understanding of the human being, and human flourishing only occurs and emerge when accepting that it is *with the Other* that I become deeply human (Largacha-Martínez, 2011). Therefore, before covering neuroplasticity and its link with immaterial communication, it is worth citing a long paragraph by Lipton where he unites almost everything written so far and confirms the relationship with the new construct presented in this paper, immaterial communication.

*... the research will ... confirm what scientists and nonscientists already "know"
... : all organisms, including humans, communicate and read their environment
by evaluating energy fields. Because humans are so dependent on spoken and
written language, we have neglected our energy-sensing communication system
(Lipton, 2008:90).*

Isn't the *energy-sensing communication system* a solid foundation for immaterial communication? In this paper the two terms are used as synonyms.

3.3. Neuroplasticity

To complement the *big picture* of Immaterial Communication, it is relevant to cover the vanguard scientific discoveries of *neuroplasticity* or the *plastic brain*. First, in parallel with cellular biology, Immaterial Communication challenges the status quo, the machine-view of reality. Second, it complements the quantum view of reality as well as the interdependence of our biologic being with the environment. Third, since Immaterial Communication is so arcane to several minds, it is important to have leverage in order to change managers' deep-seated beliefs. This is the main role of neuroplasticity. And fourth, if we believe in Immaterial Communication, in its positive impact in inspirational and authentic leadership, and in the malleable structure of the brain, a set of '*brain exercises*' must be developed to enhance executive training and organizational behavior. Neuroplasticity is a concept that states "that the brain is inherently plastic" (Arrowsmith-Young, 2012:9). As Dr. Bach-y-Rita argued, "we see with our brains, not with our eyes" (Doidge, 2007:15)

¹⁰ The use of the word 'modernituous' is preferred that 'modern' since the message of the latter is about technological advance, not related to the mindset of the epoch, Modernity (see Largacha-Martínez, 2011).

¹¹ Although there are books about these companies, you can find business cases and other material in the webpage of the MIX, the LBS, McKinsey & HBR initiative. See www.managementexchange.com

or, to put it simply, is “an attempt to use one sense to replace another” (Ibid, 12). Neuroplasticity goes against the traditional beliefs of ‘localizationism’, which is the idea that if you pinpoint one area of the brain, something will happen in your body. Or the other way around, everything your body does has an instantaneous representation in an area of your brain, which has been called mental maps. These ideas are part of *mechanistic biology*.

Brain plasticity has been researched for more than two centuries, but the modernist paradigm ostracizes it. There are scientific studies from 1820s when Marie-Jean-Pierre Flourens showed that the brain “could reorganize itself”; in 1868 Jules Cotard experimented with children with massive brain disease who could speak even if the *Broca area* was damaged; in 1876 Otto Soltmann worked with infant dogs and rabbits that were able to move even after motor cortex removal; however, all “these findings were submerged in the wave of localizationist enthusiasm” (Doidge; 2007:17-18). Even in 1783, there are records of anatomist Michele Malacarne doing research in birds about the “impact of exercise in the brain” (Arrowsmith-Young, 2012:13). It was in the 1970s that Mark Rosenzweig, from the University of California at Berkeley, scientifically demonstrated neuroplasticity by showing that changes in the structure of the brain were possible (Doidge, 2007).

The scenario is a positive one. There is hope. If we want Immaterial Communication to be part of the soft-transcendence skills of top management around the world, the idea that only some ‘*gifted*’ people are able to achieve it, or people who were born with that competency, is outdated or needs to be deconstructed. It is clear that leadership is a mix of nature and nurture, but nurture plays a big role here (Collins, 2001; Hamel & Breen, 2012). Since organizational change deals with a culture nurtured by beliefs and habits, it is encouraging to know that the ‘bad habits’ in almost all corporations can be deeply-changed, leading to the Immaterial Communication and the set of desired managerial skills.

However, the scenario becomes tricky and ironic. Harvard Professors Kegan and Lahey (2009:2) discovered that change is not a matter of will. The challenge lies in the “inability to close the gap between what we genuinely, even passionately, *want* and what we are actually *able* to do”. Going deeper, why don’t people normally *walk the talk*? The answer also lies in what Chris Argyris and his team found after documenting more than 10,000 cases of executives around the world, concluding that “theories-in-use are not the same as espoused theories”. They continue stating that “It is not that people are incompetent in achieving the results they desire—in fact, they are quite competent: *but what they are competent at is avoiding threatening and embarrassing situations*” (2010:60-61). People espouse theories of promoting trust and dialogue within organizations (the talk) but, actually, their actions (the walk) go against that, because people act “in ways that undermine those values in order to defend the self” (Ibid. 65).

Isn’t Argyris’ argument extreme? How can changing a behavior threatening? A new identity must emerge to deeply change my behavior and my beliefs. This change challenges years of traditional ‘command & control’ socialization and my education. In a nutshell, this change makes us feel vulnerable, and *modernist* socialization is based on happiness, perfection, and achieving the ‘ideal’. Instead of valuing mistakes as one step in the path of perfection, we created companies that control everything in order to avoid imperfection, but the contrary happens. If Immaterial Communication is needed in an organization, dialogue must be part of the culture and *positive vulnerability*¹² part of the managers’ mindset. After years of research, Brenè Brown (2015) found the quantum essence of vulnerability. On one side, there is shame, fear and vulnerability. On the other side, there is wholeheartedness, authenticity, and courage. Positive vulnerability parallels Csikszentmihalyi’s approach to *Flow* and Maslow’s idea of *self-actualization*.

Management needs to tackle this. We need to change the public optimism in people development when what really happens “is a deep-seated private pessimism about how much people really

¹² Brenè Brown does not use the words ‘positive vulnerability’, but I used this source to highlight the differences.

can change”. Neuroplasticity definitely can help, since today “hard and soft scientists agree that the story of mental development does not need to end in adolescence” and that today “neural plasticity and the phenomenal capacities of the brain to keep adapting throughout life” is a fact (Kegan & Lahey, 2009:3,5,13).

This is a paradox. People want to change, but does not want change. This parallels the *plastic paradox* since “the property of plasticity can give rise to both flexible and rigid behavior”. Life-activated brain circuits create solid mental paths that are difficult to change; hence, a “significant amount of energy is required to reshape old thought patterns and institute new practices” (Arrowsmith-Young, 2012:10). One of the first steps is to change our beliefs. As Brazilian Semco’s CEO Ricardo Semler argued, if you want innovation in management you need to have *faith* in it, tacitly talking about cellular biology. Nobody said it was easy, but you can create new mental maps and do what you need. Second, we can create *new brain exercises in your daily leadership activities*. As neuroscientist Michael Merzenich puts it, mental maps are dynamic, but an orderly topographic brain map emerges because “many of our everyday activities involve repeating sequences in a fixed order (Doidge, 2007:56,65). Is there any parallel among traditional corporate structures? No wonder Jim Collins argued that 95% of corporations still practice *Taylor, Fayol, Ford and Weberish* practices. Third, we need to be mindful of the change we want, since Merzenich “discovered that paying close attention is essential to long-term plastic change” (Ibid. 68). This challenges multi-tasking and helps explaining the growth of mindfulness as a new managerial practice and skill. We need to *reinvent management*, as Gary Hamel always affirmed. Merzenich makes the key question “What if it were possible to reopen critical-period plasticity?” (Ibid.,83). Since Merzenich scientifically demonstrated that plasticity extends into adulthood, this is a task for management, and for the emergence of immaterial communication. The work of Merzenich and Kilgard on nucleus basalis resulted in a *massive* expansion of brain maps. Without a direct approach to neuroplasticity, the work conducted by MIT’s research teams lead by Peter Senge (SoL), and by Otto Scharmer (U-Lab) proved the existence of human flourishing and the fact that adult behavior change towards more humane organizations. *Isn’t human flourishing a proxy for neuroplasticity—or the other way around?* In this paper, it definitely is.

The personal story of Barbara Arrowsmith must be highlighted here since she was able to create from scratch some exercises to change her brain, as her book is titled. And she succeeded. Hence, we need to create some exercises to re-brain and change the executives’ mindset. The Quantic Humanism Initiative-QHI¹³ has been working on this matter. In 2016, at QHI, Surf-Management—a vanguard consultancy company—began a project using heart variability, neuroplasticity, quantic humanism, and the insights of cellular biology. This ongoing research is a real application of immaterial communication, and will be presented in the Future Research final part. Also, this parallels neuroscientist Lara Boyd’s work at the Brain Behavioral Center, at the University of British Columbia¹⁴. Dr. Boyd, who directs the center, is scientifically researching brain plasticity in students with learning challenges at Eaton-Arrowsmith school in Vancouver¹⁵.

Some relevant questions are: What is consciousness? How can we correlate brain, mind, and cells from a quantum perspective? Is it worth to bring consciousness to the research? Yes, it is definitely worth it. Being *mindful of the mind* and/or being aware of the mind, in this paper is considered a proxy for consciousness. Although in this paper a short description of consciousness is included, the main focus of consciousness is about its energy nature. By approaching consciousness from the energy constituency, the correlation with brain, mind, molecular biology, neuroplasticity, and quantum mechanics emerges *naturally* as a holistic synergy.

Danah Zohar (1990: 75) argued in her book The Quantum Self—maybe the first sociological work using quantum mechanics—that “if holism is to have real meaning, any teeth, it must be

¹³ www.quantichumanism.org

¹⁴ Visit <https://support.ubc.ca/projects/learningdisabilities/>

¹⁵ See <http://www.eatonarrowsmith.com/brain-research/>

grounded in the actual physics of consciousness, in a physics that can underpin the unity of consciousness and relate it both to brain structure and to the common features of our everyday awareness. I think that to achieve that, we must turn to quantum mechanics". Some writers, even Karl Popper¹⁶, argued that consciousness is a quantum process (see Zohar, 1990; Eccles, 1994; Herbert, 1987: 248ff; Zukav, 1979: 222; Lupasco, 1983: 123ff).

In this regard, Zohar (1990: 23) seems to be on the right track when she states that she "shall be considering very seriously the possibility that consciousness, like matter, emerges from the world of quantum events". In this *full partnership with nature* (Ibid: 43), Zohar recalls the research that has been done and supports scientifically that reality is spaceless and timeless, at least for energy and consciousness (Ibid.: 36). This hybridization of quantum mechanics and human consciousness is called in quantum physics "contextualism", and the importance of this change cannot be overestimated (Ibid.: 47). This is what has been referred to before as the observer-created-reality; or as Zohar (Ibid.: 44) said that "reality happens depends on how we look at it". This image transcends claims that reality is socially constructed, yet does not describe a type of meta-reality. Instead, such a reality is ambivalent, since quantum events *coexist* with consciousness, whatever the source of that consciousness¹⁷. Therefore, persons are co-creators of the universe. Karl Popper makes a similar point by stating that "dead matter seems to have more potentialities than merely to produce dead matter" (as cited in Zohar, 1990: 58).

In quantum experiments with electrons, similar to the often-cited dual slit, the electron is "nonlocally responsive ... to the information latent in the whole situation", which can be understood as another type of awareness, as Bohm also argued (Ibid.: 60). The hypothesis here is that humans have a *sense* to 'communicate' or 'perceive' this latent information, and the closest type of such communication is intuition, empathy or immaterial communication. Having a holistic perception means doing what electrons do, which would represent another style of cognition or consciousness. With respect to quantum mechanics, Bell's theorem, and Rupert Sheldrake's field theory—*Seven experiments that can change the world*—there is a large repertoire of information that supports this link between consciousness and reality.

3.4. Biofields & Bio-Coherence

Field theory is very important and relevant if we want to 'connect the dots'. For several physicists, quantum entanglement is the most outstanding experiment of the 20th century. Entanglement must be part of the picture if we aim to explain Immaterial Communication and everything stated. Dean Radin (2006:16) argued that "bioentanglement—quantum connections within and among living systems—will be useful in explaining the holistic properties of life itself". This is tied to human consciousness since in the vanguard scientists arena they "suggest that the remarkable degree of coherence displayed in living systems might depend in some fundamental way on quantum effects like entanglement" (Ibid., 2). Radin continued by arguing that "conscious awareness is caused or related in some important way to entangled particles in the brain". Radin ends this idea by stating that some scientists propose that an entire universe is a single object, which is the end result of deep research conducted by Lynne McTaggart, where she showed that the Zero-Field-Force has been scientifically demonstrated, which means that everything is connected and everything is energy.

It is worth to note that these ideas parallel Peter Senge and Otto Scharmer's findings in terms of innovation in management. Specifically, in their book "Presence", with the support from Joseph Jaworski and Betty Sue Flowers, they argued that "everything we have to say in Presence starts with understanding the nature of wholes, and how parts and wholes are interrelated" (Senge, et.al., 1994:5). This leads to being fully conscious, which explains why mindfulness must be part of the emerging manager for the 21st Century. They concluded that "we came to see the

¹⁶ Karl Popper makes a contribution to John Eccles' book "How the self controls its brain" (c1994), where Eccles and Popper use quantum mechanics to explain that the self—the mind—actually starts the act, and *then* the brain follows that "order".

¹⁷ "Take seriously suggestions by philosophers and physicists like Alfred North Whitehead and David Bohm that even elementary subatomic particles might possess rudimentary conscious properties" (Ibid.: 52).

importance of letting go old identities ... [and] Ultimately, we came to see all these aspects of presence as leading to a state of “letting come”, of consciously participating in a larger field for change”. This “letting come” can be also understood as *letting go*, which is the basis for humanistic management (Largacha-Martínez et.al, 2014). At the end, “when this happens, the field shift and the forces shaping a situation can move from re-creating the past to manifesting or realizing an emerging future” (Senge et.al., 1994:14).

Biofields are also part of Otto Scharmer ideas about a Theory-U, where an *open mind, open heart and open will* emerge as part of a dialogical co-constructed reality. In this socially-field constructed reality “a place of deep reflection and stillness” exists, directing all of our energy to “practices of co-sensing, co-inspiring, and co-creating” (Scharmer & Kaufer, 2014:199,201). The idea or action of co-sensing can also be understood as co-perceiving. In this scenario, immaterial communication is in synergy with the co-perceiving skill or sense that humans have. But the words sensing and perceiving are presented here as a relational reality. Not they can be real, in principle, only as interactions, they can't exist in isolation. Humans can't, in principle, sense or perceive something alone, independent of anything else outside. Even thoughts are part of a relational reality with the context. This biofield reality is also presented by Laudisa and Rovelli as relational quantum mechanics. What is stressed in the study conducted by Laudisa and Rovelli (2002) is the absence of any absolute states, values, or events in the identification of a phenomenon. Physical quantities and states, on the other hand, are described to be tied to an interaction with an observer or between two or more systems.

The key idea of Relational Quantum Mechanics (RQM), in fact, is that the notion of “being” disappears; an entity, in other words, does not exist *sui generis* in an undisturbed state. Although each phenomenon exists, the specific measurement (identity or quantity) of each one is affected by the other (Laudisa and Rovelli, 2002: 2). Any phenomenon that exists is *actualized* as a result of the interaction between two or more systems that cannot be disentangled, except for merely analytical/abstraction purposes. Hence, all attributes are accidental, in that they depend on interaction rather than essential qualities. Implicit in RQM is the awareness that total or complete self-measurement is impossible (Laudisa and Rovelli, 2002: 5). Hence, it is a paramount to talk about ‘co’-sensing, and ‘co’-perceiving. Immaterial Communication emerges as a co-emergence. Otto Scharmer calls it ‘presencing’, which led to the creation of U-Lab¹⁸.

All the aforementioned concepts have been studied for more than three decades by the HeartMath Institute¹⁹ to prove that biofields are real and vital in order to understand human interactions. Albeit they have focused more on the biofields of the heart and its interaction with the brain and the whole body, Dr. Rollin McCraty worked on the *bioelectromagnetic communication* among people and founded the ‘energetic heart’. McCraty argued that “most people tend to think of communication solely in terms of overt signals expressed through facial movements, voice qualities, gestures and body movements. However, evidence now supports the perspective that a subtle yet influential electromagnetic or “energetic” communication system operates just below our conscious level of awareness” (2012:7). In this energetic communication, McCraty showed the specialized literature in several areas, i.e. physiological linkage and empathy, cardioelectromagnetic communication, the electricity of touch, and the heart-brain synchronization during nonphysical contact. He also revealed research that parallels Lipton's biology of belief, since McCraty showed that there is an “influence of heart's bioelectromagnetic field on cells” (Ibid:14).

When McCraty talks about biofields and empathy, there is a close connection with the research conducted by Daniel Goleman about what he calls ‘social leadership’, as a vital foundation of social skills. Goleman and Boyatzis (2008) coined the terms ‘biology of empathy’ and ‘biology of leadership’. They found that mirror neurons “operate as neural Wi-Fi, allowing us to navigate our social world”. This Wi-Fi parallels the biofield concept included in this paper. The authors argued

¹⁸ Visit <https://www.presencing.com>

¹⁹ Visit <https://www.heartmath.org>

that “when we consciously or unconsciously detect someone else’s emotions through their actions, our mirror neurons reproduce those emotions” which, at the end, this reproduction of emotions is part of our immaterial communication. As a holistic reality, in regard to perception and action, Goleman and Boyatzis concluded that “collectively, these neurons create an instant sense of shared experience”. They called this social intelligence, where “a set of interpersonal competencies built on specific neural circuits ... inspire others to be effective” (2008:76).

The aforementioned concepts can be complemented with Rupert Sheldrake’s research (2009; 2013). The author conducted scientific research to demonstrate the existence of the morphogenetic fields, which can be defined as the “coming into being of characteristic and specific form in living organisms” (Sheldrake, 1995:19: cited by Needham). This means that “new structures appear which cannot be explained in terms of the unfolding or growth of structures which are already present” (Ibid.19). Hence, as stated, there is immaterial information in the field of the global earth that humans can perceive. The morphogenetic fields “help account ... the coming-into-being” (Ibid. 12) of life, energy, and inspiration.

*

Before presenting the Conclusion of this article, it is relevant to express that the four elements presented here—quantum mechanics, neuroplasticity, epigenetics, and biofields—are not supposed to be an anthology of all the scientific discoveries already proven to demonstrate the existence of the immaterial communication, and that humans have a sense to perceive information embedded in energy and vibrations. This is, to the best of my knowledge, one of the first times that an interdisciplinary approach is used to theoretically prove the existence of human radionics or human bio-coherence applied to leadership and management. Thanks to this, I was able to create the new soft-skill construct called *immaterial communication*. The right question at this juncture could be around this: how can this be measured and applied to organizations and human life in general? The final paragraphs achieve to explain this.

4. CONCLUSION AND FUTURE RESEARCH: OPERATIONALIZING IMMATERIAL COMMUNICATION

More managerial approaches, think tanks, and scholars state that we should transcend the traditional management frameworks. For instance, and just to name a few, Conscious Capitalism²⁰ discusses purposeful leadership; the Center for Creative Leadership²¹ is developing a novel leadership model that includes four elements: inner content, circuitry, conscious engagement, and behaviors; Otto Scharmer argues that the Theory-U²² must be implemented in all dialogical practices in organizations; HBR, LBS, and McKinsey created the MIX²³, where hacks and novel management ideas are included in a web 2.0 fashion; among others like Holocracy, Self-management Institute, Humanistic Management Network, B-Corporation, and Worldblue. The paradigm shift *is* happening.

It is highly relevant for today’s society with humongous challenges to put *all the soft- skills and competencies* in the models that corporations are developing. Why, because it is not unwise to state that globally we are experiencing a disengagement *epidemic*²⁴, and interdisciplinary leadership void. In the Kenexa 2012-2013 Engagement Report, not a single country from North America or Europe were ranked in the ‘High-percentile, > 70%’. Except from Denmark, all countries fall in the ‘moderate’ or ‘low’ engagement percentile. In addition, the studies conducted by Tower-Watson (2010) and Gallup (2013) show that 70% to 86% of the total workers are

²⁰ <http://www.consciouscapitalism.org>

²¹ <http://www.ccl.org/Leadership/index.aspx>

²² <https://www.presencing.com>

²³ <http://www.managementexchange.com>

²⁴ <http://engageforsuccess.org/report-the-many-contexts-of-employee-engagement> See “The Many Contexts of Employee Engagement”, A Kenexa WorldTrends Report.

uninspired and disengaged with their activities²⁵—working just for the pay check. This has a clear and direct impact on productivity and emotional well-being. During 2011, the UK's Prime Minister launched the '*Employee Engagement Task Force*', because if the UK moved its engagement levels to the middle of the top quartile "this would be associated with a £ 25.8bn increase in GDP"²⁶. The social challenge blighting the US and Europe urgently needs tackling with an innovative application.

Could be stated that immaterial communication could help reduce this business epidemic? It would be naïve to answer positively. However, as stated throughout the whole article, this soft-skill definitively will help open new doors for human development and leadership strengthening. As stated during the article, in 2016, Surf-Management—a vanguard consultancy company—began a project using heart variability, neuroplasticity, quantic humanism, and the insights of cellular biology to do prototyping for measuring immaterial communication. They called it OCI—Organizational Coherence Index. This ongoing research is a real application and operationalization of immaterial communication, so it needs further development and future research is needed.

In order to construct the OCI, four scholars, very close to this immaterial communication research, selected two proven tools from one American company and one German one. This selection was after a review of what the markets offered in 2016. Both had the scientific background, long-time application, and R&D²⁷ departments for permanent innovation. Also, both used vanguard science. The Inner Balance® and Mars-III® were selected, from HeartMath Institute²⁸ and BruceCopen²⁹, respectively. After that, the R&D unit of Surf-Management Company started a 2-year long process that ended in 2018 with a service to be offered to companies around the world³⁰. The OCI, as mentioned.

The next stage was to do a piloting. The OCI is a 120-long questionnaire about soft-skills needed in an organization, including the immaterial communication. This questionnaire emerged from the synergy of the holistic management model by the Colombian Chapter of the Humanistic Management Network, with the eastern model by Tai-Chi organizational coach and director of Stresstech Inc. Later, the expert in using MarsIII uploaded the questionnaire into the quantum machine. In the coming four months four pilots were done in four Colombian companies, ranging from 5 employees to 250. Because of space, it is difficult to present all the information here. Also, this is an ongoing research and Surf-Management does not allow to describe all in this article. What can be said is that using the logos of the four companies, the quantum technology *measured* the energy vibrations of each question and a number from 0 to 100 emerged. The consultants of Surf-Management then wrote a report.

Once with the owners of each company, collectively the report was read. After that, the consultants asked: what is the correlation between what you just read and the experienced reality in your company? The answers were: 85%, 85%, 95%, and 80%! This is science. Future research is needed to be sure that was measured is what actually the machine measured. This research, coupled with the quantum epistemological framework where this research is founded—Quantic Humanism—would help us create a novel ontological approach towards leadership soft-skills competencies. It would also help us to map a holistic view of the interconnections between material communication—verbal and non-verbal, and immaterial communication.

²⁵ See Towers Watson at <http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2012/07/2012-Towers-Watson-Global-Workforce-Study> and/or Gallup's <http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx> surfed at 2014.

²⁶ Ibid.

²⁷ See <https://www.heartmath.org/research/> and <https://www.brucecopen.com> or <http://copen.de/technologie/>

²⁸ Visit <https://store.heartmath.org/Inner-Balance-Sensor/>

²⁹ Visit <https://www.brucecopen.com/mars-iii.html>

³⁰ Visit <https://www.quantichumanism.org/blog/projects/bio-inspirometer/>

Also important for the future research of this novel construct is to control for cultural and time variables. Even though the work by several scholars—done around the world, mainly Western Northern countries—are used here, in addition to the global business cases researched and published by the Humanistic Management Network, that confirm empirically that immaterial communication is a human sense/phenomenon, it would be important to continue this research in the future taking into account the subtleties of culture and management paradigms.

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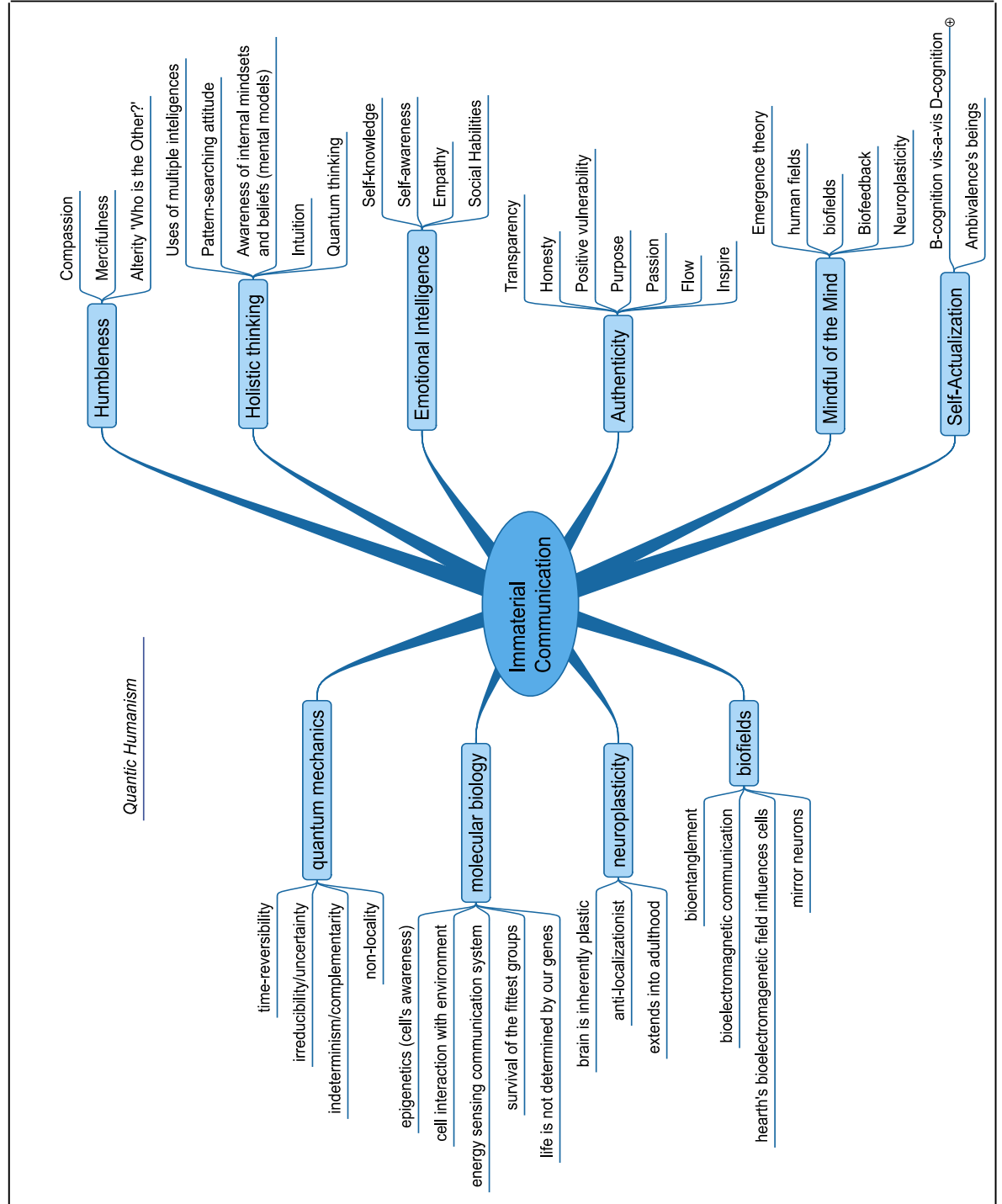
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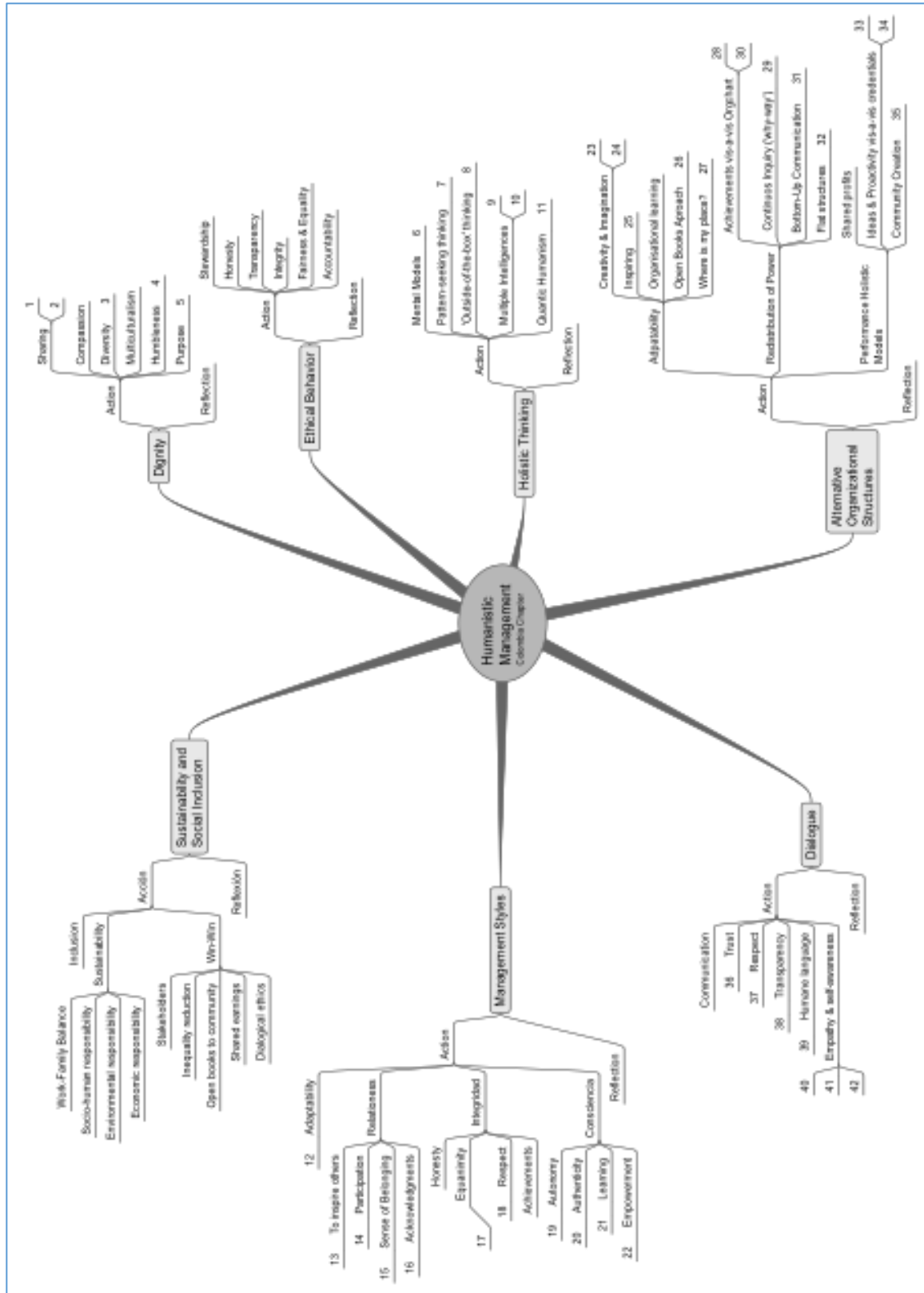
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APPENDICES





The Maghreb Area Development. Threats and Opportunities for Italian Companies' Investment Strategies

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Abstract

The current highly competitive international scenario is characterised by increasingly keen players (Chinese in particular) gaining significant shares in the western markets, so as to induce companies in the most industrialised countries to invest in emerging areas (Maghreb for example), thus reducing management costs relating to raw materials, capital, energy, as well as labour, in order to preserve their competitiveness.

In particular, the choice of international operators, above all the Italian ones, seems to fall, on Morocco and Tunisia both for their geographical proximity and a better business climate compared to the neighbouring countries. However, following the Arab Spring, the Italian leadership and the main EU operators seem to have been challenged by the Gulf countries, that, through massive direct investments, have gained significant market shares in the area.

Thus, the research, moving from the current competitive scenario, intends to investigate, first of all, the reasons for the increased interest in the area by the Gulf Countries and the sectors they are investing in, to understand which are the best strategic choices to be adopted by Western companies (primarily Italian) in a rapidly changing competitive environment, even in the light of the political, social and operational choices made by local governments.

The analysis of macroeconomic data and the current business climate will highlight the fairness of the governmental choices implemented. Moreover, through a questionnaire submitted to the main Italian operators in the area, it will allow careful examination of their difficulties in doing business over the last five years.

Keywords: Maghreb Area, Gulf Countries, Strategies, Business Climate, SME.

1. INTRODUCTION

The ongoing internationalisation process of multinationals and SMEs (Small and Medium Enterprises), both from the EU and from the American countries, sees the Maghreb area as one of the most interesting among the transition countries, because of the investments that have consolidated over time both in the traditional economic sectors (banking, energy, real estate, mining, telecommunications and tourism), and in the most innovative ones such as renewable energy, thanks to the undoubted economic advantages from which Western companies have always benefited in terms of energy costs, raw materials, tax relief, etc.

However, starting from 2011, following the Arab Spring, the competitors acting in such a context, namely the Countries of the Persian Gulf Cooperation Council (GCC) have become more and more relevant today, identifying, more than in the past, such areas as Morocco and Tunisia as the most attractive destinations for their investments, starting, in fact, to question the leadership of EU countries as the major investors [1]; [2].

The reasons for this over-exposure of the GCC countries in the aforementioned areas are manifold.

First of all, the excellent relations with the European Union, in addition to the business climate offered by these countries that attract capital from the Persian Gulf in a long-term perspective [3]; [4].

Another reason concerns the GCCs' intention to diversify investments, increasingly focusing on innovative sectors such as renewable energy, agro-food and new technologies, in order to avoid heavy dependence on revenues from hydrocarbons [5]; [6].

Following the Arab revolution, the decision of the GCC countries to strengthen their presence among the indigenous population, due to strategic and political interests, has also led them to invest in less tangible sectors such as education, culture and humanitarian aid, that have always been typical of the EU economies.

The GCC countries' competitive role is therefore multisectoral, covering traditional and innovative materials, as well as the intangible sectors, perhaps creating investment difficulties for European and American companies, due to the influence that the GCC countries could have on behaviours within the Moroccan and Tunisian civil society, thus also changing the business climate in the two countries and reducing, therefore, their interest in Western investors.

In order to understand the context described above, the research, starting from the analysis of the current macroeconomic scenario in these countries, focused on the results obtained thanks to the economic policies adopted by local governments, as well as on the current business climate of these economies [7]; [8]; [9].

On this basis and after framing the main strategic approaches aimed at businesses' internationalisation, the companies' strategies adopted in the past, particularly Italian companies, to gain significant market shares in the area were considered.

Besides, the present research investigated the choices to be made to fit the evolution of the current competitive scenario of the two countries mentioned above, in order to preserve, in the medium and long term, the competitiveness of those businesses that have been operating in the area for some time, but are now challenged by the GCC countries.

In addition, the analysis also focused on data resulting from the survey involving Italian companies operating in the territory, as to the difficulties to be faced concerning mainly the company start-up in the current business climate, due to both the economic, social and operational policies implemented by the Moroccan and Tunisian Governments and to the consolidation of the GCC countries in the area.

These factors could, in fact, lead, in the future, to an effective distortion of the forces acting in the field from a commercial and industrial point of view.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The process of internationalisation of Western companies is today a common occurrence in an economic scenario in which they see their national leadership undermined by entrepreneurs from countries in transition that, thanks to very low management costs, are able to offer products at competitive prices, gaining, in fact, increasingly significant market shares in the Old Continent's markets.

As a consequence, all sectors are increasingly witnessing the outsourcing process by multinationals, as well as European and American SMEs, in order to preserve competitiveness through lower labour, energy and raw materials costs [10]; [11].

The ongoing financial crisis of the world's major economies, including the Italian one, has led many entrepreneurs to take the path of internationalisation, which is felt, at the time, as the only alternative solution to the failure of indigenous businesses. The reduction in the cost of labour, energy, raw material supplies, as well as the cost of money are just some of the reasons leading, for example, Italian companies like ENEL, Fiat, Danone, etc., to partially outsource their manufacturing process abroad or to settle on the spot [10]; [11]; [12].

This need is increasingly pushing both the business world and the academic one to explore new competitive markets in which to relocate the production process or to establish a branch of one's own business.

Thus, in a highly globalised world, the companies' decision-making in the current international context shows, more than in the past, characteristics of complexity, conciseness and probability [13], which are needed to enable them to create value for the customer. Therefore, the analysis of the degree of attractiveness of the above-mentioned countries, considering such variables as physical-geographic, demographic, economic, technological, socio-cultural ones and so on [14]; [15], becomes crucial for the businesses, to establish, first of all, the right approach to be developed, (naïf, pragmatic or strategic), [16], to identify the most appropriate entry strategies (Flanking attack, Leapfrog strategy, Frontal attack, Encirclement, Guerrilla), [17], as well as the entry mode (direct and indirect export, international partnership, foreign direct investment), related to the degree of risk that the entrepreneur intends to run in the competitive environment in which he must operate [18]; [19]; [20]; [21]; [22]; [23]; [24]; [25].

From the in-depth literature review examined, three main approaches emerged that describe the businesses' internationalisation processes. The first approach is economic, analysing the internationalisation of businesses in general, the second is a stepwise approach, which is adapted to the context of internationalisation of SMEs in particular, and the third and the most recent is the network-based approach, explaining the internationalisation process of businesses by their development through the Network. Although appearing successively, the three approaches do not replace one another, but focus on the process of internationalisation from different angles of analysis [26]; [27].

2.1 The Economic Approach

The pioneering work on international business development is economic science, focusing on the global process of internationalisation of businesses in general.

Penrose [28], one of the first authors of this approach, established that the indivisibility of productive resources explains their under-exploitation, which encourages companies to internationalise.

Montgomery and Wernfelt [29] completed this analysis, noting that the resources are specific to the nature of the activity. Thus, the lack of financial, physical or technological resources, the lack of opportunities and the insufficiency of certain skills can hinder the international activity of SMEs [30]; [27] identifying the three main theoretical contributions of the economic approaches.

According to Vernon [31], companies internationalise when their products reach maturity and their markets are saturated, in order to capture new foreign market shares. Therefore, he highlights four macroeconomic behaviours of businesses: production, consumption, exchange and foreign investment.

The theory of transaction costs considers the internationalisation of businesses as the result of a choice between internalisation and outsourcing of activities. When the internal transaction costs are lower than the external transaction costs, the business chooses to internalise its transactions.

This theory is an extension of the theory of internalisation [32].

According to it, companies can develop internationally through vertical integration strategies Buckley and Casson [33], bringing businesses to develop internationally through direct investment abroad to the detriment of exporting, when it generates higher transaction costs.

The eclectic paradigm is based on the theory of internalisation. Dunning [34] distinguishes three types of benefits to explain internationalisation: the company-specific Ownership Advantage and the accumulation of intangible assets (technological capabilities, experience, etc.); the advantage of localisation according to the comparative advantages of host countries, the advantage of internalisation related to the ability of the company to manage and coordinate activities internally, in terms of production costs, transport and distribution. These advantages give rise to three alternative ways of penetrating foreign markets: first, direct investment in the case of simultaneous existence of the three types of benefits. Secondly, exporting and establishing a proper sale network when the firm has both specific advantage and advantage in internalisation and finally, the sale of license if the firm has only a specific advantage.

The synthetic paradigm of the multinational business is an extension of the OLI model that synthesises the company's internationalisation advantages in two main ways: the competitive advantages of the multinational company and the comparative advantages of its target countries [35]. According to Porter [36], the company's competitiveness is linked to its production costs and its products. This paradigm includes location advantages in the comparative advantages of countries, considering the comparative advantages of sizes and dynamics of domestic and foreign applications. Thus, the concordance or the discordance of the competitive and comparative advantages determines the strategic orientations of internationalisation of businesses in terms of direct foreign investment, of import, export, of either national or foreign production.

This approach is criticised for ignoring the role of social relations in international transactions [37]; [38], the difficulty of analysing the internationalisation of SMEs, and the lack of social relations in transactions.

2.2 The Stepwise Approach

This approach was based on the analysis of SMEs. In particular, the authors of the stepwise approach consider the internationalisation of businesses as a process composed of several consecutive stages, called chains of establishment [39].

The Uppsala model is based on two main concepts, namely the learning process and the psychological distance [40].

By analysing internationalisation as a learning process, this model considers the experience progressively acquired in foreign markets as the key to international development.

As the company improves its decision-making process and international presence, it evolves in its learning process and incorporates knowledge of its foreign market experience.

Internationalisation then becomes the result of a series of chronological decisions.

Based on the study conducted on Swedish companies, the model describes the internationalisation of businesses as a sequential process composed of four stages: irregular and opportunistic export, export via an independent agent, the establishment of sale subsidiaries, and production in the foreign country.

The second main contribution of this model is related to psychological distance, which also has a significant impact on the process of internationalisation of businesses. In fact, when the international experience of companies increases, the psychological distance separating them

from new foreign territories diminishes. This favours wider foreign development and a more complete exploitation of the opportunities offered by the different countries served.

Even the internationalisation model linked to innovation is based on the concepts of the learning process and psychological distance.

The authors of this model conceive of internationalisation as a process whose stages can be comparable to those of the adoption of new products [26]; [37].

Each stage of international development is considered as an innovation for the company. Differences persist in the choice of stages, their number and the initiating mechanism of internationalisation [41]; [42]; [26]; [37]; [43].

Three stages of internationalisation of businesses exist according to the model of innovation related to internationalisation:

- pre-commitment concerning the companies established only on their national market, but having already previous experience in exporting, or being strongly interested in exporting in the future;
- the initial phase, in which companies are irregularly involved in exporting while having the potential to expand their foreign operations;
- and the advanced stage, when companies regularly export and have considerable foreign experience while considering other forms of international engagement [44].

This model states that the internationalisation steps listed by the previous models are not necessarily respected. Some companies have been expanding internationally since their creation, others are internationalising directly through subsidiaries [45]; [46]; [47]; [48]. Some of them can move faster in their process of internationalisation, for example, from direct export to the creation of subsidiaries [24], other companies can stop their internationalisation process before reaching the last stage [26].

Several reasons can explain these modes of international development: notably the reduction in transport costs, the growing importance of information and communication technologies [47], the international experience of managers [49], the capitalisation on certain skills [48], the development of intangible resources related to network relations and the desire to seize opportunities.

Some authors have questioned this approach, stressing its inability to explain certain behaviours of businesses' internationalisation related to specific factors concerning the company and its environment [37].

Some SMEs' internationalisation behaviour remains difficult to be explained according to the stepwise approach, hence the emergence of the network approach [39]; [37].

2.3 Knight's Theory of Higher Education Internationalisation

This theory has been developed as part of the Organisation of Economic Cooperation and Development's work on the internationalisation of higher education, and is the only reference in terms of quality and process of internationalisation in the higher education field.

According to Knight [50], the internationalisation of higher education is determined by two main components: home based internationalisation, through the mobility of students, teachers and academic programs and internationalisation abroad, through foreign establishment of higher education institutions.

This theory is part of a process-based approach to internationalisation. It requires the higher education institution to consider the international dimension in the various stages of its international development. Key actors in any process of internationalisation of higher education are the state, the university and the private sector [50].

In conclusion, in the light of the competitive scenario described above, it is evident, therefore, that the analysis of the business climate of these economies can, on the one hand, paradoxically implement, within the economic policies of the countries under recession, those positive elements arising from the government actions, put in place by these emerging countries and, on the other one, facilitate the investment strategies of international competitors.

In fact, for the latter, in order to set consistent and effective competitive strategies, it becomes essential to understand whether facilities are granted in the process of start-up company, as well as which is the movement of labour and capital from one sector to another that, particularly in times of financial crisis, tends to increase significantly due both to the simplification of the formal procedures and to the reduction in costs associated with business creation [51]; to verify the existence of a Public Credit Registry, enabling the transition countries' companies to have access twice as faster as larger firms [52]; [53]; to check the existence of a state guarantee that protects the investors' property [54] or, finally, to inquire about the opportunity of profiting from a lower internal revenue than in Italy for example, together with simplified procedures for tax payment [55].

3. RESEARCH METHOD

The present research was developed in three phases.

The first one, which is of a descriptive character was intended to assess the degree of attractiveness of Maghreb economies to international entrepreneurs, providing a short description of the economic situation in the Maghreb countries examined (Morocco and Tunisia), with the support of macroeconomic indicators, the index of Global Competitiveness, openness to international trade as well as those of Doing Business concerning the degree of ease through which the business start-up can be carried out in those countries.

Furthermore, the study took into consideration the analysis of the political, economic and operational risks that influence the strategic choices of those operating in these markets.

Afterwards, the attention was focused on the economic policies implemented by the above-mentioned countries, evaluating the competitive advantage arising from a location of companies in these markets and the opportunity for Italian companies to invest in these areas.

The second and third phase of the research followed one another chronologically and were both of a quantitative nature.

In detail, the investigation, started in March 2017, was carried out through a questionnaire sent to a sample of 80 companies and drawn up by Italian entrepreneurs, managing directors, marketing managers operating in the above-mentioned countries, to understand the features of their internationalisation process.

The investigation, ended in July 2017, highlighted the reasons that led Italian companies to operate in the Maghreb area and the main operational practices.

The last phase of the research, which lasted three months starting from September 2017, was based on a survey consisting in interviewing top managers and employees, as well as collecting their testimonies with the aim of identifying the main problems to be overcome to start a business in the above-mentioned economies.

In particular, 12 issues were identified that represent a potential obstacle to business start-up. Each interviewee pointed out the four major issues (given a score ranging from 1 for the less important to 4 for the most important), summarised, afterwards, in a separate table in which the answers were weighed according to their position in the overall ranking.

Finally, all the data collected made it possible to draw up a summary SWOT analysis showing the main features characterising the Maghreb area competitive scenario, thus allowing some final reflections about the possible evolution of the region in the international competitive scene, as well as about the prospects for future development for the Italian businesses operating in it.

4. THE MAGHREB AREA DEVELOPMENT: MOROCCO AND TUNISIA

From the analysis of the macroeconomic indicators of the countries of the Maghreb area analysed, it can be seen that the Moroccan economy shows a marked increase in GDP, which grew from 1.2% in 2016 to 4.4% in 2017. This positive performance is mainly due to the driving effect of the emerging countries growth that have increased their imports, thus increasing the exports of the agro-food, textile, aeronautic, automotive and phosphate sectors of Morocco up to 11% overall compared to the contraction, 1.6%, occurred in 2016.

The other indicators are also extremely encouraging when considering their stability in recent years with an unemployment rate of about 10% in 2017, as well as a public debt of 76.1%. As for inflation, it has more than halved compared to 2017, falling to 0.7% in 2017 compared to 1.6% in 2016 (Table 1).

As far as the Tunisian economy is concerned, it is going through a transition phase which is made even more difficult by the evident social tensions related to 15.3% unemployment rate in 2017, by the marked growth of public debt passed from 44.7% in 2012 to almost 70% in 2017, as well as by the rising inflation rate, having increased from 4% in 2016 to 5.3% in 2017, mainly due to the devaluation of the Dinar (the local currency), which lost about 23% of its real value from 2016 to the present day because of increased consumption inflated by wage increases.

The only encouraging result is the GDP recovery which has more than doubled from 2015 to 2017, reaching almost 2%, with growth estimates for the next two years which should take it well beyond the 3% threshold, exploiting the expansion of agricultural exports, the recovery of tourism, of the mining sector (especially phosphates) and of the manufacturing industry.

| Countries | Real GDP Variat. (%) | Unemployment | Public Debt (GDP%) | Inflation |
|-----------|----------------------|--------------|--------------------|-----------|
| Morocco | 4.4 | 10 | 76.1 | 0.7 |
| Tunisia | 1.9 | 15.3 | 69.5 | 5.3 |

TABLE 1: Macroeconomic Indicators Year 2017.

4.1 Other Indexes of Attractiveness

In addition to the macroeconomic data already highlighted, the present work aimed at analysing the values of other indices that can provide useful guidance to those entrepreneurs wishing to evaluate the possibility of starting their productive activity in the countries mentioned above. In particular, with reference to the Global Competitiveness Index, for the sake of brevity, only the position of the two countries under study (Morocco and Tunisia) has been reported (in the Table 2) with reference to the last three-year period showing a substantial stability of the two countries.

To go deeper into the analysis, it is possible to disaggregate this result in three groups of factors: the basic requirements (Institutions, Infrastructures, Macroeconomic Environment, Health and Education), the factors stimulating efficiency (High Education and Vocational training, goods and labour market Efficiency, Development of the financial market, Spreading of technology and market Size) and finally the innovation and sophistication factors (Development of the production context and Innovation).

In particular, the group of factors highlighting the greatest improvement is the last one, relating to the factors of innovation and sophistication allowing Morocco to significantly improve its position in the ranking of the countries examined, moving from 92nd in 2015 to 74th in 2017 together with Tunisia that moved from 110th to 97th.

| Index | 2015 | Pos. on 140 Countries | 2016 | Pos. on 138 countries | 2017 | Pos. on 137 countries |
|--------------------|------|-----------------------|------|-----------------------|------|-----------------------|
| GCI Morocco | 4.2 | 72 | 4.2 | 70 | 4.2 | 71 |
| GCI Tunisia | 3.9 | 92 | 3.9 | 95 | 3.9 | 95 |

TABLE 2: Global Competitiveness Index.

Assessing the degree of openness to international trade of a country is another important aspect that an entrepreneur should consider in order to understand whether the policies adopted will be able to attract FDI (Foreign Direct Investment). It is clear that protectionist measures (such as the adoption of tariffs and non-tariff barriers) adopted by Governments to support the production of local businesses in crisis in particular product sectors, or, instead, openness to privatisation of sectors that the Government considered as strategic in the past, tax abatement on profits over a certain period of time, as well as unsecured grants provided by the State to guide the settlement of foreign enterprises in particular depressed areas of the country, in order to rebalance its internal development, represent some key factors that can influence the choice of the country to invest in.

The analysis of the Openness to International Trade Indices shows a contradictory situation. If, in fact, Tunisia suffers a drop of 6 positions in the ranking of the 132 countries examined, Morocco shows quite evident improvement that is equivalent to as many as 11 positions recovered in 2012 (Table 3).

This positive trend in Morocco is confirmed by the absolute leadership achieved in 2017 by the country on the African continent, due to the greater flow of foreign direct investments according to 2018 Africa Investment Index (AII), a continental index that is calculated considering the macroeconomic and financial indicators.

In particular, in 2018 foreign investments brought Morocco a total of 2.57 billion dollars, an increase of 12% compared to 2016. This result is the effect of sustained economic growth, a favourable business climate, careful management of the macroeconomic risk by the Moroccan Authorities, a strategic geographical position of the country considered as a real “Gateway to Africa”, as well as of an increase in Moroccan investments abroad.

The process of choosing the country in which to carry out one’s own business activities must also take into account its level of bureaucracy, which, depending on the case, can either simplify or make the start of the activity almost impossible.

| Countries | 2010 Value from (0 to 7) | 2010 Pos. on 132 countries | 2012 Value from (0 to 7) | 2012 Pos. on 132 countries |
|--------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| ETI Morocco | 3.9 | 75 | 4.1 | 64 |
| ETI Tunisia | 4.6 | 38 | 4.4 | 44 |

TABLE 3: Global Enabling Trade Index.

In particular, taking into account 2018 Doing Business ranking, it can be seen that Morocco is in a remarkable position, i.e. 68th out of the 190 economies examined (Table 4).

In detail, the country ranks 1st in North Africa and 3rd among African countries with regard to “the degree of ease in starting a company”, considering a series of indicators related to the regulatory and tax regulations applicable to businesses during their life cycle.

In particular, as far as the degree of ease in starting a company is concerned, the country ranks 35th out of the 190 economies examined, mainly due to the limited number of procedures to be carried out, the time needed to complete bureaucratic procedures, as well as to bureaucratic

costs that are about half those in the Middle East and North Africa countries. These data confirm a positive business climate, as well as an opening up of the economy both in terms of trade and investment.

The position of Tunisia is different, despite ranking 88th out of the 190 economies examined. However, this result is mainly due to heavier bureaucracy with a number of procedures higher than the average of the Middle East area and of North Africa countries, although the number of days needed to complete procedures and the related costs are well below the average of the aforementioned area.

| Index - Year 2018 | Morocco | | Tunisia | | M.E.N.A |
|-------------------------------------|-----------------------|-------|-----------------------|-------|---------|
| | Pos. on 190 countries | Value | Pos. on 190 countries | Value | Value |
| Position in the global ranking | 69 | | 88 | | |
| Starting a Business (Pos. rankings) | 35 | | 100 | | |
| Procedures - (number) | | 4 | | 9 | 7.7 |
| Time (days) | | 9 | | 11 | 1.6 |
| Cost (% of income per capita) | | 8 | | 4.6 | 18.7 |

TABLE 4: Doing Business Index – Starting a Business 2018.

5. THE POLITICAL, ECONOMIC AND OPERATIONAL THREATS IN THE MAGHREB COUNTRIES

The analysis of the existing political threats in Morocco shows a public debt of approximately 76%, which is considered as the main political and social risk, being high compared to that of the countries of the area, considering that Tunisia has a public debt lower than 70% and, above all, that Algeria has a debt that is around 10%.

For this reason, the Government tries to reduce the budget deficit, in order to stabilise public debt weight, despite 5% reduction in the Kingdom's currency reserves at the beginning of 2017, which nevertheless allowed the country risk to be kept steady at B level [56].

As for the risks of an economic nature, these are strongly linked to the Dirham (the local currency), which is dependent on the dollar and the euro fluctuations for 40% and 60% respectively. Here too the Government is trying to make the exchange rate regime more flexible, bringing the fluctuation rate from 0.3% to 0.5% following the IMF (International Monetary Fund). This attitude can be also explained by the fact that one of the most profitable activities of the entire Moroccan economy is represented by agriculture and the export of its raw materials which, being strongly influenced by weather conditions, are highly uncertain.

Among other things, the increasingly evident external exposure of Morocco (with 55 free trade agreements) has made the country more vulnerable to external shocks, considering above all the numerous political and economic problems afflicting many African partners.

Lastly, as regards the main operational risks, it is convenient that foreign entrepreneurs and operators in general make use of indigenous legal and tax consultants and experts, in order to be guaranteed in their contracts and to benefit by the arbitration clause and bank guarantees to avoid long disputes.

As for Tunisia, the risks of a political and social nature are mainly related to political instability, the fight against terrorism after the 2015 attacks and in general to security on the territory, especially at the border with Algeria and Libya.

For these reasons, the State is adopting a policy of greater cooperation between the parties for the sake of national unity which, over the last year, has made it possible to recover about 3% of international investors' trust concerning the above-mentioned problem.

As to the problems of an economic nature, they are, instead, mainly linked to the still high dependence of the country on international aid and loans, which, in the long run, is likely to weigh on public debt.

In addition, the high rate of smuggling, that still accounts for about 50% of the economy, together with still heavy bureaucracy, the delays in assigning orders, problems linked to transparency and to works implementation are some factors that unfortunately affect the development of the country.

Furthermore, the infrastructural deficiencies of the main port of Tunis, Radès port, cause many logistic and transport problems, due to its obsolescence.

Lastly, as regards the operational issues, these concern both the management of liquidity by the Tunisian Central Bank, which slows down the repatriation of capital and the opposition between the State and trade unions, concerning economic and social reforms.

6. THE MAGHREB'S COUNTRIES ECONOMIC POLICY

The analysis of the economic policies of the Maghreb countries under study is useful to frame both the current and future scenario in which foreign entrepreneurs are going to operate and, mainly, to understand the economic advantage that they will be able to take from direct investments in the Maghreb area.

Starting from the analysis of the internal politics of Morocco, it can be stated that the country represents a positive exception to the evolution of the 2011 Arab Spring, having achieved a constitutional reform that has favoured both democracy and internal order (almost without any accidents or violence), strengthened the State and created a certain stability that the reduction in the number of parties has helped.

This encouraged the current Government to adopt an economic policy in line with that of the previous ones, setting as its main objectives the modernisation of industry, the promotion of private investments and the support of local SMEs, in addition to the diversification of commercial partners, trying, at the same time, to enhance those productive sectors whose supply chains are aimed at exporting and creating added value.

To achieve these objectives, the local administration has launched the Industrial Acceleration Plan (PAI, Plan d'Accélération Industrielle), aiming at increasing the industry's contribution to national GDP from 14% to 23% by 2020, through the operation of several strategic plans: the "Maroc Vert" Plan (to streamline and improve agricultural production with the financial support of the African Bank), the "Plan National" (National Plan) aimed at implementing the objectives set by the COP22 (greenhouse gas emissions reduction and renewable energy development), "la Vision 2020" Plan (tourism development) and the "Plan Haulieutis" (Halieutis Programme, improving the fishing sector).

In particular, the development of the extractive industry is of vital importance, so that the Government are seeking an alternative to phosphate extraction, through a double-sided approach: firstly, by entering into an agreement with over 30 companies in the energy sector to search for oil and natural gas through on-shore and off-shore explorations; secondly, by developing renewable energy, in order to gain 6000 MW of additional capacity, through the implementation of the Wind-Hydro and Rural Electrification Programme (to promote energy security, electricity production and distribution, Co2 emissions reduction), as well as of the "Solar Plan" (aimed at the creation of numerous photovoltaic plants, thanks to the financial support of

both the International Bank for Reconstruction and Development and the World Bank Global Environmental Facility Fund, allocating 200 million and 97 million US dollars respectively).

The Government are also planning to build large infrastructural works in Casablanca to guarantee the creation of a Business Exchange which, from a financial point of view, is likely to be the reference market for the whole African continent.

The growth of tourism linked to the simultaneous decline of other countries in the Maghreb area such as Tunisia and Egypt, due to the recent attacks, has led the administration to enhance the enormous cultural heritage of the country.

The 2018 financial law has identified the key sectors of the economy for the management of public spending: education, health, habitat, employment, investment support and the private sector.

Finally, the ambitious goal that the Othmani Government has set itself is to permanently place the country among the “best 50 of the Doing Business ranking” (it is currently ranked 68th), improving the business climate and paying particular attention to the shortening of payment delays by public bodies, the effectiveness of funding mechanisms, the dematerialisation of business creation procedures and the transparency and clarity of the legal framework.

From what has just been analysed, it is clear that Morocco has adopted a policy that tends to develop relations with international investors, primarily European ones, thanks to the Advanced Association Statute and the Partnership on Mobility, as well as through the American Free Trade Agreement on Fishing.

Among other things, in 2012, the King's visit to the Gulf countries strengthened relations, giving Morocco considerable financial support, with investors from the Persian Gulf being attracted by entering as competitors both the traditional economy sectors (banking, energy, real estate, mining, telecommunications and tourism), and the most innovative ones, such as the renewable energy sector, bearing high potential for development.

In addition, in 2017, as a country of the African continent, Morocco officially advanced the request to become part of the Economic Community of West African States (ECOWAS) and obtained, after 33 years, the readmission in the African Union, which brought enormous benefits in terms of both its image, with over 500 agreements of cooperation stipulated and of business, with the presence of its companies in 25 countries of the continent.

In particular, the commercial operations on the territory have been favoured by two main elements: firstly, the support of its banks (BMCE, Banque Centrale Populaire and Attijariwafa Bank) which have opened branches in 10 countries in the area and secondly, direct investments in 13 sub-Saharan African countries and in West Africa, in particular the predominantly Francophone area (Gabon, Mali, Ivory Coast and Benin).

As for Tunisia, even though the country was the architect of the Arab Spring, the Government have been able to control the period of democratic transition, even if the economy has suffered a severe blow due to the 2015 terrorist attacks which, in fact, stopped the flow of tourists in the country, that was almost regularly resumed only in 2016. The current Government of National Unity chaired by Youssef Chahed is ensuring ambitious reforms in the fields of investment, employment, public function and the fight against corruption, in addition to restoring stability to the country.

In particular, the Government's view is to restore the economy of the country by increasing exports and attracting new foreign direct investments, thus recovering investors' confidence after the terrorist acts.

The objective of improving the business climate in the country coincided with the new Investment Law which allowed new incentives to be identified, together with the liberalised sectors, the time of granting authorizations and the establishment of expert teams with the function of supporting and accompanying investors.

With this in mind, the Tunisia 2020 Economic Emergency Law was devised based on the principles of inclusive growth and sustainable development, which provided a budget of 60 million dollars and raised funding for about 14 billion euros from private investors, international organisations and foreign governments to simplify, from an administrative point of view, within the next three years, those projects deemed as strategic in terms of the financial dimensions of an investment of not less than 25 million euros, together with at least 500 new jobs created, in order to continue fighting inflation which is currently exceeding 15%. These reforms are endorsed by the IMF (the International Monetary Fund), which calls for maximum speed in reforms, in order to contain public debt that currently stands at 70% and guarantee sustainable growth in the country.

In this context, the EU has also made its contribution. In fact, as part of the 2016-2020 Development Plan, it has increased financial resources to help the country with the aim of combating its economic crisis, allocating resources in particular to fight against smuggling and corruption, to help businesses in crisis, to reduce unemployment, to promote investment in youth training and socio-economic development. In the light of the Full and Comprehensive Free Trade Agreement (ALECA, *Accord de Libre Echange Complet et Approfondi*), the Tunisian Government tends more and more to integrate into the European Economic Area, thus strengthening relations with the EU, the first commercial partner, to which it directs about 75% of exports and from which about 55% of the products are imported. Moreover, within the framework of the Arab Maghreb Union (UMA, *Union du Maghreb Arabe*), Tunisia, thanks to its strategic position, plays a fundamental role in the context of sub-regional integration, for reasons of security and collaboration with the EU, as well as with the American government that finances the democratic transition, in order to guarantee greater stability in the Maghreb area.

7. THE PROBLEMS HINDERING THE STRATEGIC DEVELOPMENT OF COMPANIES IN THE MAGHREB AREA

At this point, after having made it clear that a significant Italian presence has settled within the competitive scene of the Maghreb area (Morocco and Tunisia), the research focuses on the major obstacles that international competitors had to overcome to set up a business.

To achieve this purpose, as previously highlighted, the last phase of the investigation, started in September 2017 and lasted three months, provided for the elaboration of a questionnaire focusing on 12 possible issues representing an obstacle not only for the business start-up, but also for its subsequent development. The questionnaire was submitted to the 80 Italian companies chosen as a sample for the survey and operating, as already mentioned, in different fields. The work of gathering and processing information was hard because of the difficulty in creating a feed-back with the management.

Nevertheless, without pretending to be exhaustive and apart from official data, it allowed an accurate and deep understanding of the real environmental and competitive context with which Italian companies have to be faced to achieve satisfactory competitive advantages [57].

More specifically, the managers contacted were asked to indicate, in the list supplied, the four issues which, according to them, represented a real obstacle to the development of their business in these countries (giving a score from 1, the most important, to 4).

The results given below (Table 5) show that corruption and lack of access to funding represent, despite the reforms, some obstacles to be reduced as soon as possible to encourage foreign direct investment and to allow the area to grow faster.

| Countries | Morocco | Tunisia | Morocco | Tunisia |
|-----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Factors | 2016-2017 (%) | 2016-2017 (%) | 2017-2018 (%) | 2017-2018 (%) |
| Corruption | 11.5 | 12.9 | 15.5 | 13.1 |
| Inefficient state bureaucracy | 12.9 | 19.1 | 14.7 | 19.6 |
| Access to funding | 15.8 | 7.8 | 12.6 | 8.1 |
| Inadequate infrastructure | 5.9 | 5.9 | 5.9 | 7.8 |
| Crimes and Theft | 0.6 | 0.8 | 1.8 | 1.9 |
| Unskilled labour | 13.7 | 4.8 | 11.3 | 5.1 |
| Tax rates | 11.9 | 7.5 | 10.8 | 7.3 |
| Tax regulations | 6.6 | 6.9 | 6.3 | 6.5 |
| Political instability | 0.5 | 14.9 | 3.5 | 11.7 |
| Poor ethical sensitivity by the local labour | 5.8 | 6.9 | 6.1 | 5.6 |
| Insufficient talent for innovation | 11.9 | 5.8 | 8.6 | 5.8 |
| Regulations on foreign currency | 2.9 | 6.7 | 2.9 | 7.5 |

TABLE 5: Factors Hindering The Business In The Maghreb Countries.

8. CONCLUSIONS AND IMPLICATIONS

The research highlighted the increasingly evident need for multinational companies and for Western and American SMEs to guarantee competitiveness in the current era of globalisation, through the search for investment areas outside the national borders that would allow a marked reduction in management costs, in order to cope with competition from those players coming mainly from the countries of Southeast Asia (China in the lead), that are increasingly gaining market shares in all sectors due to highly competitive consumer prices.

The attention of international operators has focused, in particular, on the Maghreb area (mainly Morocco and Tunisia), i.e. on those countries that, as a result of the Arab Spring, have shown, through their reforms, greater openness towards Foreign Direct Investments, by improving the business climate in the territory that qualifies them as the markets with the highest development potential for the near future.

However, the analysis carried out has also shown that for some years, Western interlocutors have not been the only ones operating in the above-mentioned countries, because of the growing presence of other players coming from the Persian Gulf countries, due to political and economic reasons: avoiding heavy dependence on hydrocarbons by investing in innovative sectors such as renewable energy, agro-food and new technologies, as well as in less tangible sectors such as humanitarian aid, culture and education. This evolution in the current competitive scenario is influencing the strategic choices of Western (primarily Italian) and American companies, that, in order to be competitive even in the intangible investments just described, should perhaps operate in line with Knight's theoretical approach on higher education at global level.

The evident improvement of the business climate in the analysed countries leads international and Italian entrepreneurs to consider, in a future perspective, the two countries that are highly attractive for their investments, in the presence of important strategic factors to be exploited that are essential to preserve company's competitiveness. These factors can be listed as follows: the sourcing costs of raw materials and labour at the most competitive prices, the possibility of profiting from the experience gained by Italian companies because of their massive presence in these areas, the penetration of the "Made in Italy" product in those countries, the geographic location that, in some cases, is considered strategic to serve the entire macro-area (Morocco, Tunisia).

The remarks that have just been reported are also the result of the analysis of findings arising not only from secondary sources of the two countries concerned, but also from the questionnaire

submitted to business executives with reference to the major problems encountered in the development of their business in these countries. This allowed the development and drafting of the SWOT Analysis, which highlighted the main factors of attractiveness of these economies and the elements that political reforms should improve, as well as the opportunities that entrepreneurs should seize to develop their business and the possible threats that may jeopardize the penetration of businesses in these markets (Table 6).

As a conclusion, which strategies should entrepreneurs adopt today in these countries?

The analysis suggests, especially for multinational companies wishing to operate simultaneously in these markets, to follow a polycentric approach, decentralising in these countries the primary activities of the value chain, and centralising, instead, in the country of origin, the management of financial and human resources, research and development. It is evident that such an approach requires the adoption of a strategy aiming at providing a variety of products that are able to meet the diverse needs of customers in the areas mentioned above. For what concerns SMEs, if it is true that their entry into those markets would certainly be favoured by the degree of facilitation of business start-up, it is also true that there would be obvious unhomogeneity between them as regards the consumer's demand; this would suggest that the entrepreneurs should adopt a sequential approach in line with the Stepwise Approach based on the Uppsala model analysed, in order to allow full penetration into a market before moving to the next, so as to limit investments in human and financial resources, to exploit the experience already gained in a given geographical area and to make profits arising from the different degrees of the countries' development.

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STRENGTHS | WEAKNESSES |
| <ul style="list-style-type: none"> - Economic and social political stability - International level infrastructures - Proximity to Italy - Easy approach to neighbouring markets - Opening to world trade - Free access to the European Union market - Competitive cost of production factors and labour | <ul style="list-style-type: none"> - Inefficient state bureaucracy - Access to funding |
| OPPORTUNITIES | THREATS |
| <p>Where to invest</p> <ul style="list-style-type: none"> - Transport and storage - Agricultural products, fishery, forestry - Building - Products from other manufacturing industries - Motor vehicles, trailers and semi-trailers - Products of mines and quarries <p>What to sell</p> <ul style="list-style-type: none"> - Electrical equipment and for non-electric domestic use - Electric energy, gas, steam, air conditioning - Textiles - Wholesale and retail trade and car and motorbike repair - Metal products excluding machinery and equipment - Metallurgy products | <ul style="list-style-type: none"> - Trade union activities - Operational risk - Internal political stability - Exchange rate risk - Economic transition in progress - Social and political risks |

TABLE 6: Personal elaboration Maghreb area (Morocco and Tunisia) aggregate SWOT Analysis.

9. CRITICAL DISCUSSION AND FUTURE RESEARCH DIRECTION

The aim of the research carried out, without the presumption of being exhaustive, is to represent, on the one hand, a guide for international operators, Italian species operating in the Maghreb area, in order to make them aware of some aspects of environmental and social dynamics of the

territory, useful for adapting, with a view to competitiveness, the corporate strategy to local policies and, on the other, to represent an analysis tool for the governmental authorities of the territories to develop policies capable of minimizing entrepreneurial problems and to promote in an intelligent and sustainable way the revival of the economy of these countries in transition.

Thus, in the light of what has emerged in the present work, the spillovers represented by the research conducted primarily concern the strategy of opening up the internal market implemented by the political power of the two countries thanks to the conclusion of various free trade agreements that had from on the other hand the negative effect of aggravating the already suffering trade balance of the country, above all against the euro zone, but which also allowed the other side to have a beneficial effect in terms of countries' attractiveness for foreign direct investments.

The protectionist logics of the past to maintain control over the trade balance have been overcome in recent years by a fair liberalization which, if on the one hand has meant entry of foreign products in the areas analyzed, nevertheless also allowed the exportation of local products to those countries like the United States, the Euro zone, and Turkey where these agreements are in force.

Probably, the competitive advantages deriving from the geographical position, from the lower cost of labor and from production costs in general, could guarantee the two countries, in a medium-term economic scenario, a rebalancing of the trade balance thanks to exports.

This forecast is confirmed by the growth of Italian companies operating in the aforementioned countries. In fact, in Morocco, trade grew in 2018 by 9.5%, while in Tunisia the market share reached 15.5%.

The proposed dynamic analysis has allowed the collection of results that can be analyzed according to two interpretations [58].

One linked to the corporate governance model of our businesses and the other to the policy adopted by local governments.

With regard to the first point, it was noted that the application of the sequential approach was different depending on the governance model adopted. In fact, for those companies that have adopted the Latin model (typical of small businesses in southern Italy, where the figure of the entrepreneur is predominant, power is concentrated in the members of the family, the risk orientation is almost nil and the capital available is often limited) entrepreneurs did not go far beyond the export of products, also because, the main objective is that of business continuity and entrepreneurs often have not gained an experience for cultural and linguistic problems international enough to force them to develop their business in a foreign context.

On the contrary, companies that have adopted an Anglo-Saxon or German governance model, or (the typical companies of Central-Northern Italy with a power divided into many shareholders and with large capital endowments, managed by capable and trained management and with 'main objective represented by the profit, typical of large companies, have had the economic strength and the courage to set up branches or make direct foreign investments in these countries [59].

In fact, in the two countries analyzed, around 90% of Italian companies are medium-large, in line with what has just been highlighted and of geographical extraction in Northern Italy.

However, it can be appreciated from the analysis carried out that Italian companies present in the area for years have been able to implement a coherent market strategy, to the point of strengthening their competitive position "vis-à-vis" foreign competitors operating in these areas.

The other important point is the continuity of the policies adopted by the countries to guarantee attractiveness to the territories.

To confirm what has been stated previously, the Tunisian Government has just announced a measure that favors the entry of foreign investors who want to enter the market through six new online services that will allow them to obtain a residence card that will facilitate their activity. The services will cover the investment declaration, the legal constitution of the companies, the requests to obtain an authorization, tax and financial advantages and the presentation of priority projects [60]; [61].

As for the Moroccan Government, there is instead a recent meeting of the Central Bank's Monetary Policy Council (Bank Al-Maghrib - BAM), during which the will to leave the official discount rate unchanged and to introduce liquidity that could lead banks to grant more credit to businesses. This policy is to be considered slightly expansive, prudent and responsible and has as main objective precisely that of reducing the liquidity deficit to 77.6 million dirhams (about 7 billion euros) by the end of 2019, with cuts in public spending and with an estimated growth of around + 0.3%, thanks to the latest social dialogue agreement [62].

Another positive aspect linked to the proposed research is that linked to the reduction of the unemployment rate in the areas examined, thanks to the recruitment of the local population by foreign companies operating in the territories. However, there is an increasing need to train on-site staff with courses organized by local universities in partnership with European universities that can not only refine and homogenize the business management techniques of local operators, allowing them to become new managers Maghrebi of tomorrow, but also to create joint degree courses that allow students, if they decide to emigrate to Europe, not to increase the number of unemployed, but to find work more easily thanks to a recognized title in the EU.

A future research direction that would represent an extension of the newly proposed work could be conducted with the analysis of another Maghreb country, Algeria, which represents the 2nd world country from which Italy imports hydrocarbons.

Considering that the Algerian government has just approved the new draft hydrocarbons law, which provides numerous advantages for foreign investors (such as reducing the tax burden up to 65%), in order to relaunch the partnership with international energy companies, the positioning of Italian companies in the aforementioned sector and in the Algerian economy in general could make it possible to understand whether the problems already examined for Morocco and Tunisia are also confirmed in this country which has great potential for development in the future, but which are still strongly conditioned by local policy [63].

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The Origins of CSR In Theory and Practice: Chapter from CSR History In The CEE Region

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Abstract

This study reviews the history of business ethics and the history of CSR from both the theoretical and practitioner's perspective and possible lessons it could provide. The concept of CSR is a well-researched topic, however research analyzing the pre-1950 roots of CSR and research in Central and Eastern Europe (CEE) is scarce.

The historical contextualization of social responsibility is crucial in understanding the phenomenon of CSR and how it moved from practice to academia [1]. There are several academic studies analyzing the 'historic' CSR in other countries. To add another piece to the mosaic, this study presents a historical analysis of the CSR practice in the Baťa Shoe Company from 1894-1932; representing an intriguing application of CSR prior conceptualization of the subject matter. The analysis of Baťa's management methods will help in better understanding of the paradigmatic shift of the CSR concept from practice to academia.

Keywords: Corporate Social Responsibility, History, Business Ethics, Synergistic Value Creation.

1. INTRODUCTION

The repeated corporate scandals and the wave of public criticism that inevitably follows corporate transgressions, illustrating greed and rampant materialism, have led to an increased distrust for business leaders [2]. Whether fraud, embezzlement or insider trading, these scandals have led to a lack of faith in the manner in which business is conducted [3] suggesting the lack of business ethics within corporate environment and the fact that corporate governance is often only a hollow concept. The skepticism is evident in literature in the increasing number of academic articles asking whether business ethics is indeed an oxymoron [4, 5, 6, 7].

Business ethics and Corporate Social Responsibility (CSR) are closely connected concepts and ethical responsibility is an inherent part of the CSR pyramid [8]. The pyramid depicts the ethical responsibility as a push and pull factor: expanding the boundaries of legal responsibility and increasing the expectations on business executives "to operate at levels above that required by law" [8].

The concept of CSR as a modern topic of academic discourse was formalized in the 1950s, yet the interest in the subject is apparent in the early 1920s as proved by the articles of Walter Donham- dean of Harvard Business School. Nevertheless, literature agrees the year 1953 which saw the publishing of Bowen's seminal work, should be considered as the inception of CSR as a proper academic discipline and the start of modern academic discourse.

While much of the research within the 20th century focused on the discovery of a universally agreed definition, the research has yet to agree on a single definition and the concept remains vague [9, 10, 11]. The EU Commission defines CSR as "the responsibility of enterprises for their impacts on society" [12]. The definition changed in 2011 adopting the 'creation of shared value'

concept developed by Porter and Kramer [13]. The previous EU definition described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [14].

The term CSR seems to be very flexible as “it means something, but not always the same thing, to everybody” [15] and since it has been argued that in order to prove successful, companies should choose a suitable concept and definition that would best suit their corporate intentions and strategy [16] should academia give up the quest for universally agreed definition? Okoye concurs with these views and concludes CSR is an essentially contested concept thus “universal meaning for CSR is not necessary”, nevertheless he believes “there is still need for a common reference point or exemplar” [17]. Dahlsrud agreeing with van Marrewijk and Wempe [16] maintains the challenge is not to achieve the universally accepted concept of CSR, but rather “understand how CSR is socially constructed in specific context” and how to apply this into the strategy development process [18].

This study reviews the history of business ethics and the history of CSR from both the theoretical and practitioner’s perspective and possible lessons it could provide. CSR concept is a well-researched topic, nevertheless, research analyzing the origins of the concept prior the 1950s is lacking [19]. Much of the research conducted in this area is focused on the CSR development in the twentieth century and particularly USA [20].

The historical contextualization of social responsibility is crucial in understanding the phenomenon of CSR and how it moved from practice to academia [1]. The relevance of historical research of ethical agenda to current affairs is questioned, however the lessons learned from the past may provide interesting insights for academics who analyze them [21].

Aiming to fill the research gap in CSR literature, the article analyses the management style and social responsibilities of Tomáš Baťa, outlining the framework of CSR practice in the 1920-1930s Europe.

2. BUSINESS ETHICS AND THE EVOLUTION OF THE MODERN BUSINESS CONCEPT

The long tradition of the trade profession in the simple sense of exchange of goods and services and the system of owner/manager supervising their own enterprise changed at the beginning of the twentieth century. The traditionalist view represented by Mill, who considered trade to be a social act, postulates “*society is not founded on a contract, and though no good purpose is answered by inventing a contract in order to deduce social obligations from it, every one who receives the protection of society owes a return for the benefit, and the fact of living in society renders it indispensable that each should be bound to observe a certain line of conduct towards the rest*” [22]. The nature of the business model in the early twentieth century transformed as a result of progress stemming from the scientific advancement during the industrial revolution [23]. Donham believed business was facing new challenges and responsibilities “for the future of civilization” [23]. He observed the emergence of the new profession of ‘businessman’ and believed a code of conduct similar to Hippocrates oath was necessary as a guidance for this new social group. The new profession’s most important task was the establishment of group consciousness and sense of responsibility. The rapid scientific progress ushered in new advancements but also new problems as the outcomes of the scientific research required oversight and this control was placed in the hands of the businessmen as dealing with the results of new scientific research fell into their domain. Donham welcomed the emergence of the new profession and called for the establishment of “a social consciousness with the sound evolutionary progress of civilization as its objective” [24].

The belief that social responsibility is inescapable should be reflected in the establishment of business in a broader sense as a field of study. To understand the opportunities and

responsibilities the business must become an established profession, so the newly formed businessmen can balance their economic and social obligations [25].

Donham writes the business in the 1920s is a brand-new kind of business: a product of the Industrial revolution; he outlines the new scope of business and its social significance [23]. He argues business must learn how to handle these changes proposing the solutions lie within the realm of business ethics. Donham believed businessmen as a group must recognize their responsibility towards the society and be accountable for their actions [23]. He acknowledged the recent development of group solidarity within the business circles and maintained the majority of businessmen are ill equipped to handle the demanding profession, observing the failure in developing the sense of responsibility. The need for defense of status quo was still much stronger than the constructive group responsibility [23]. The responsibility of corporations towards wider society was perceived as possible future necessity as without readjustments the current system may be on its way to its own undoing, however until “clear and reasonably enforceable scheme of responsibility to someone else” [26] is devised, the business corporations were responsible to their stockholders [26].

The Roaring twenties saw a complete transformation of structure and practice of the concept of business in America. By the end of the decade two hundred of the largest corporations controlled almost half of the corporate wealth in the country. However, the most important new trend was the emergence of a new profession: the businessman and manager. Family members and entrepreneurs were no longer the decision makers, the control of a company became a responsibility of an outsider. The new manager most often had a large volume of staff and was a graduate of one of the new business colleges and importantly, did not own the company in whole or part. The nineteen twenties was a new era for the new businessmen: new leaders of the society. They believed they could bring a new level of prosperity and usher in a new golden era that would eliminate poverty in the country [27].

Berle observed the transformation in society and wrote “*the evolution from enterprises which can be carried on by their owners to engines of production so large as to swallow the individual, and inevitably to separate management power from property rights means that the economic framework of the country is undergoing a distinct change*” [28].

New managers completely transformed the corporation following the trends of Frederick Taylor by introducing pensions, recreation facilities, cafeterias, paid vacations and profit-sharing plans. This new attitude was not in any sense altruistic, but it was designed to reduce worker's discontent and to discourage the creation of labour unions [29]. Here lie the roots of the notion of CSR as a preventative measure and the necessity to assume the responsibility for social welfare to avoid social power erosion [30] and the involvement of interventions from government or labour unions [31]. Planning and business-government cooperation (developed during WWI) was the key to the new corporate structure and it was hoped this would provide a middle ground between collectivism and laissez-faire economy. Despite the planning and the cooperation, the onset of the Great Depression was not prevented, however the system of this modern cooperation survived, and its influence was very significant during the 1930s [29].

3. THE EVOLUTION OF THE CSR CONCEPT

The concept of charitable contributions has been around for hundreds of years, however there is no exact year that could be considered as a “big bang” moment for the social responsibility movement as authors fail to agree on its exact origins. Academics generally agree the formal discourse of CSR as a modern concept traces its roots back to the 1950s and the publishing of Social Responsibilities of Businessman by the “Father of CSR” (aptly named by Archie Carroll) Howard Bowen. Nevertheless, number of authors [32, 33, 19, 34] trace the origins of the notion of social responsibility back hundreds and thousands of years. The roots of the social responsibility concept are evident in Mesopotamia [34] and its steps can be followed to ancient Greece [35] or 17th century England [19].

CSR is a nebulous idea [30] and a concept with different meaning to everyone [15]. The certain level of cynicism towards the concept could be stemming from the lack of consensus on the definition [36]. Definitions of the concept vary among nations, as such, standardization may not be even possible due to the uniqueness of cultures, traditions, laws and regulations [37].

The lack of consensus on terminology and classification contributes to the “confusion regarding how CSR should be operationalized and measured” [38]. The concept of CSR itself is seen as a barrier preventing a worthwhile discourse. The idea that CSR has failed and should be replaced is supported by the notion that the roots of CSR lay within the field of economics and “fail to include, among others, history, religion, and culture” [39]. In contrast to this viewpoint, Hoffmann’s [40] analysis of the evolution of CSR in the 1920s argues the origins of the corporate social responsibility are “inextricably involved in the historical, socio-economic, political and organizational features of the society”. These contrasting views support the need to review the historical roots of the social responsibility concept and its evolution in different national contexts as it may help to identify the common patterns and help to clarify the meaning of CSR.

The intricate relationship between society and corporations has been rapidly evolving throughout the 20th century. The increasing power and influence of corporations changed the public perspective and organizations are increasingly facing the argument that the pursuit of profit should not be their only concern [41].

Corporations are scrutinized from all angles and their every step is analyzed thus any possible transgressions are immediately made public via social media. Recent corporate scandals, such as ‘sick cow’ meat from Poland, Volkswagen emissions or Facebook data breach suggest there is a need for stronger social responsibility. Some corporations have a very dubious past, others operate within “sin” industries (alcohol, tobacco, gambling) and therefore are prone to being held responsible for “actions once considered outside their traditional boundaries of responsibility” [42]. The societal expectations on corporations are changing and CSR is often seen as a strategic necessity that helps to build corporate reputation and profitability [43].

Historical studies of CSR unearth the origins of the concept and underpin the modern interpretation of CSR. Historical analysis of individual organizations could provide guidance to the new generations of business executives and could be essential in current and future performance evaluation of organizations [21].

In the broadest sense, history of CSR can be viewed from two different angles: 1. Theoretical perspective: the evolution of CSR as an academic concept and theoretical framework and CSR reporting 2. Practical application: the history of corporate social responsibility practice with focus on corporations and businessmen who incorporated the CSR principles within the core of their business operations.

The CSR history from the theoretical perspective is mainly focused on the analysis of the evolution of the CSR model and concept as an academic discipline [20].

The CSR history from the practical application perspective has been the subject of a number of studies [44, 20, 45, 46, 19]. The focus has been on the role of an industry [44], CSR practice in a single country [20, 45], or CSR within a company [46]. The history research is conducted through analysis of primary (original) and secondary sources and the authors present a comprehensive overview of the evolution of CSR practice since 1600s [19], 19th century [47, 45] or early 20th century [48, 44, 49]. The focus on tracing the roots of CSR prior to 1953 is important as it could assist with the elusive concept definition and framework classification development and as many historical articles only analyze the post war era [50, 51] this research will provide an insight into the early CSR application and thus fill the existing gap in research. The literature reports the lack of CSR research outside of Northern American and Western Europe [52, 53] and in the Central and Eastern Europe (CEE) context [54, 55]. This paper aims to fill the research gap as identified by

Lindgreen and Swaen recognizing the need to “examine how CSR is conceived and practiced in diverse institutional contexts” [56].

Husted presents a broad overview of CSR practice within business firms in UK, USA, Japan, India and Germany from the 19th century to WWII [20]. To provide a more rounded picture of the CSR history; the current study presents a portrait of CSR practice in Austria-Hungary empire and Czechoslovakia represented by the Baťa Shoe Company from 1894-1932. The study draws on both secondary and primary resources to outline an overview of business management system that would be an ideal representation of today’s shared value creation model.

4. SYNERGISTIC VALUE CREATION

Synergistic value creation can be simply paraphrased as a search for the win-win situation. The focus is on: “seeking opportunities to unearth, relate, and synthesise the interests of a diverse set of stakeholders, broadly conceived” [57].

Porter and Kramer define corporate value creation as number of policies implemented enhancing the organization’s competitiveness and simultaneously improving the social and economic conditions. The creation of shared value aims to identify and expand the “*connections between societal and economic progress*” [13]. Successful creation of shared value requires the existence of social purpose, a defined need, measurement, the right innovation structure, and co-creation. All these elements work in synergy with one another and companies such as Nestle, Novartis, Mars or Intel apply them in their pursuit of creating shared value. It could be a path towards the win-win scenario that results in social progress and more profitable corporation simultaneously [58].

The concept of CSV (creation of shared value) has been widely accepted by both academia and practitioners; however, it has been argued CSV disregards previous CSR research, simplifies social and environmental issues, omits value chain complexities, and assumes corporate legal and moral compliance exists [59]. Voltan et al concur and identify the similar weaknesses in the CSV framework citing “its lack of originality, seductive nature, tendency to oversimplify, and the naïveté of its assumptions” [60]. The idea that “creating shared value presumes compliance with the law and ethical standards” [13] could be seen as very problematic [59] given the endless corporate scandals occurring on an almost regular basis, thus raising the question of validity of their presumption [59]. Porter and Kramer acknowledge the successful implementation of CSV is possible only with governmental assistance as “regulation will be needed to limit the pursuit of exploitative, unfair, or deceptive practices in which companies benefit at the expense of society” [13].

The positive acceptance of governmental involvement is in contrast with the previous view on CSR, which proposed CSR as a preventative and inevitable measure for individual corporations if they wish to avoid governmental or labour interference. As Safire stated “the only way for Big Business to stay a powerful force in our society is for each individual businessman to leap on the social responsibility bandwagon” [31]. Davis, Steiner, Levitt, Alexander and Matthews [61, 62, 63, 64] agree with this view in seeing CSR as a preventative measure or defense mechanism preventing the possible curtailing of corporate freedom as Davis argues if “businessmen do not accept social responsibility obligations as they arise, other groups eventually will step in to assume those responsibilities” [61].

5. SYNERGISTIC VALUE CREATION BATA STYLE

The notion of the win-win situation represented by the synergistic value creation approach is reflected in the business model proposed and implemented by Tomáš Baťa as confirmed by the letter considered to be his moral legacy: “*We saw development and securing prosperity for the whole region through the development of our business. It was our pride and push towards further and tireless work seeing that through our business we bring new, until now unknown life to our region, and that through its development increased general well-being and education of our*

people. It was the yearning to create, to provide participation on benefits to larger amount of people that our business provides to both its employees and customers. As long as you serve this idea, you will live in accordance with natural and human laws. The moment you start thinking only of yourself, the moment you stop serving to the common good with your factory, you will become useless and fall inevitably” [65]. Tomáš Baťa (1876-1932), was a ninth- generation shoemaker and founder of Baťa Shoe Company, founded in 1894. Today the company is a successful global corporation operating in over seventy countries, across five continents. The company manufactures shoes in twenty-three Bata-owned facilities and employs 35,000 colleagues [66].

The company still follows the mission statement of its founder stating business should be “considered a public trust not a source of personal profit” [67].

Baťa admired Henry Ford and was strongly influenced by his own experience working in America and American industrial practice. His admiration for the specialized skills and speed of production of American workers (production was ten times faster in US in 1904 than in the Austrian-Hungarian Empire) was reflected in his specific style of management [68].

His experiences shaped him into a rare individual who created his own unique blend of management: Baťa Management System [69]. “This participative, human-oriented system was decades ahead of its time, including concepts such as empowerment, worker participation and quality improvement” [69]. BMS (Baťa Management System) is a strategic management system which has CSR interwoven within its core values [69].

Zelený sees BMS as a unique system which deviates from the traditional business model which is focused on either the shareholders, customers or employees [69]. The principles as BMS propose: 1. All employees are co-workers, 2. Substitutability (working positions must be substitutable, avoiding dependence on individual, focus on team-work), 3. Self-government of departments, 4. Daily overview of the company situation, 5. The co-worker participation in profit and loss, 6. Co-worker must be able to estimate his salary for each day, 7. Co-worker must know how to increase his salary [70].

Baťa saw the reason for his company existence as service to the society, means to better life for everybody in Zlín (the city of the company headquarters). He practiced what is now known as the stakeholder approach, rather than the then prevalent shareholder approach which is focused on accumulation of profit and synonymous with the Vanderbilt’s cavalier ‘public be damned’ optics of the early 1920s [71]. He saw money as means to an end and his life’s motto was public service. He passed the importance of public service on to his employees in his unique system of social capitalism. Even during the hardest times, Baťa had in mind the physical and moral wellbeing of his employees, whom he proposed to call colleagues. The social aspect of his management remains the example of the correct employer approach toward one’s employees [72]. Baťa was well known abroad and his approach towards his employees was praised by foreign press. Echo de Paris called Baťa the Napoleon of the shoes and self-made genius and Journal des Debats called him an apostle acknowledging his American flair, Czech good-naturedness and his strenuous work ethic [73]. After WWI the economic situation in Europe was influenced by the transformation from war production and creation of independent states following the dissolution of Austrian-Hungarian Empire. Baťa adapted his factory production from military to civilian shoes and planned to continue selling cheap shoes despite high demand and limited supply. His buyers did not want to accept the low selling prices, and this led Baťa to a bold move: he began opening his own shops that allowed him to keep the prices low [68].

1922 proved to be a tough year for Czechoslovakia economically, it was in the middle of Rašín’s (Finance Minister) currency reform and the fluctuation of the exchange rate had a negative impact on exports [74]. Baťa had an original solution to the crisis: he cut his prices by fifty percent, reduced his staff salaries by forty percent (it should be noted his staff agreed to the pay cuts), to allow him to keep the factories open without downsizing. He also promised his employees they would be provided with food, clothes and daily necessities for fifty percent of market price. Baťa

said himself: *"I have decided for this solution, because I do not see another way out. The industry- primarily our corporation - will be operating with great losses at first.... I am certain the increased production will soon turn the losses into profit"*. The gamble paid off, Baťa sold out his stock, managed to keep production at the same level, lowered overheads and losses [68]. Since 1923 the Baťa enterprise began its triumphant journey to put shoes on the feet of the world [75].

The basis of BMS can be traced back to 1923/1924, during this time the idea for the crucial cornerstones of the BMS were formed: autonomy of workshops and worker's participation in profit and loss. The underlying motif for this step was the assumption that a reduction in production costs would result in cheaper shoes ergo workers could earn higher wages. Participation in profit and loss and workshop autonomy meant departments were working independently and were not influenced by losses made by other departments. Baťa wanted his employees to care about their work and this incentive aimed at motivating them to increase production. He believed each worker should become a capitalist and should understand business. He asked his staff to use their higher salaries to improve living conditions of their families and their own education [68].

In 1930 the International Chamber of Commerce asked Baťa to describe his business philosophy. His answer which was published in English, German and French version of the magazine shows his deeply humanistic approach to management. His focus was not on empire creation, but creation of capable employees providing excellent customer service and he argued these employees built his business. He believed the biggest loss in a corporation is caused by the incorrect approach to work, colleagues and customers. Baťa did not see any existing methods in books that would teach him how to build an enterprise based on the moral and psychological basis that allows development to its employees, so he decided to build his own system, which he called 'example' [68].

Weinberg believed that a company director "must recognize broad social responsibilities he has to the general public and the country" [76]. This belief is reflected in Baťa's approach to his corporation as he noted he always made the most profit when he followed the direction most beneficial to the public. The company under his direction implemented number of measures which are now classified under CSR. The company focused on number of areas including social and health, employee welfare and education. The company employees had access to free medical care, low-cost grocery stores and company-built sports facilities [77]. In the 1930s the employees lived in low-rent modern houses (built by Baťa and still in use today). Among the houses were 'single' houses for unmarried men, boarding houses for the young people and the students and family homes. The family houses were divided to: one family homes, 'quarter' homes (one house for four families) and most often 'half' houses (one house for two families with separate garden and entrance) [78].

The existence of poor standards of living and the lack of modern amenities meant harsh labour for women, insufficient time for children upbringing and was detrimental for family relations overall. The aim for Baťa was creation of modern housing with all amenities (running water, electricity, gas, laundry) so women could be rid of the physical drudgery. Technical innovations, he argued, should increase welfare of all people, but mainly women and children [68].

It has been speculated that corporations with positive CSR rating develop a competitive advantage, because they can attract [79, 80, 81] motivate and retain [82, 83, 84, 85] a higher number and better caliber of potential employees. Baťa knew this already in 1930 as he believed companies that look after their employees perform better and thus, they attract employees who are innovative [68].

The employer has a duty to compete with other employers to pay the highest salary possible, employers should not join employer association with the aim to collectively push the salary levels down. Salary in combination with cheap industrial and agricultural products equaled prosperity, which can only be achieved if all producers would implement the 'service to the public' approach. He hoped that in the future all private companies would not only publish information about

shareholder dividends, but also the salary increases and products price decrease statistics of the firm [68].

The critics of his business methods believed the company excluded older workers and prevented his employees from joining labour unions. Baťa refused this critique stating he never terminated an employee's contract due to old age and he was able to employ people over sixty. Nevertheless, he believed it was his duty to pay his employees enough so that they did not need to labor this long and could live off their savings and from gained experience after the age of forty (through property or land ownership etc obtained from the savings). He believed it was possible to rely on savings rather than manual labor after the age of forty if one started working and managing the earnings at fourteen. Unlike many others during this era, Baťa believed it was his duty to pay the highest salaries possible and his company also published information relating to salary levels. Baťa believed that making salary information public would lead other companies to compete and increase the salaries of their employees [68].

The holistic approach towards the employee well-being is reflected in Baťa's approach towards the youngest generation. Each employees' child received 1000 crowns in a savings book at 5% p.a. interest at birth that they were able to withdraw on their 21st birthday. He saw this as another approach to teaching the art of money saving. Another example of support to employees' children was a scheme providing dentist check-ups available to all children up to the age of fourteen [86].

Education represented an area of utmost interest to Baťa. He was not satisfied with the existing system of education and he decided to create his own schools that would educate young workers accordingly. He opened wide range of schools focusing on continuous education of staff, there was a wide range of programmes that were accessible to employees: career and educational system (boys as young as 14 could apply for a place in Baťa school, girls were not disregarded, but their education was more focused on cooking, clothes making, running the household and bringing up children) [68]. The School of Work opened in September 1925 with its first cohort of eighty boys. The school combined boarding school upbringing, practical work and school education. Students within the school achieved very good results and in 1929 Baťa school opened its doors to young women (by 1933 there were 4500 female students in three boarding schools). The education was a three-year programme and by 1934 there were nineteen thousand applicants (schools accepted 1000-1500 students per year) from all over the world. The motto of the school stated: students must be self-sufficient from the age of fifteen. Each student had a year book that showed income (weekly wages) and expenses (insurance, accommodation, school fees, food, shopping expenses, pocket money or money given to parents). Each week the book was checked by boarding school staff and if there was money left over, it was lodged into a personal account (internal Baťa bank) with ten percent interest rate. To encourage savings, permission was necessary to withdraw funds. Some of his methods would be criticized now, his disciplinarian approach towards his students would not be acceptable today [77].

After two years the control of expenditure was reduced to random checks as young men and women learned how to manage their finances. Specialized schools for mechanical, civil and chemical engineering and others were opened later. The best students had the option to continue their education and obtain leaving certificate [87].

Baťa saw the main aim of the school as education of young people to earn more money than their parents but with less drudgery [68]. Baťa believed young men should have high expectations for not only their future earnings, but also for upbringing, education and preparation to become pioneers whose goal is to introduce improved business morals to the world. Reflecting the current view on CSR as a source of competitive advantage, he proposed high moral principles in business bring not only honour but also benefits [88].

The company published a magazine called 'Zlín: Magazine for Circulation of Social Responsibility Principles', this included updates about company, world news, city news, Monday special "Průkopník" for young people and woman's section. The newspaper provided advice to young

people, Baťa himself was a contributor. The newspaper focused on the work organization and structure, introduced observations and experiences from abroad, work plans for Baťa Corporation, city development. The newspaper was a source of information, inspiration, entertainment and entrepreneurship. For its time the newspaper showed progressive views on women. In 1932 the editorial article proposed women should seek source of pride and independence in paid employment, should they marry this experience would help them to understand their husbands [89]. Men were still seen as the main breadwinners during this era, but it is evident there was a new view on the traditional role of women in society.

Baťa believed business and enterprise should be conducted with the spirit of service to the public that was in his view the source of honour and power for everyone and the only source of wealth for an individual and society [68]. In 1924 he said: *“The greatest obstacle to overcome for entrepreneurs is to realize that they must divide profits resulting from advances in production justly among their employees, customers and enterprise...Even the best social legislation may be sometimes more to the detriment than to the benefit of the working people, because while laws can order entrepreneurs to be charitable, they cannot force people to become or to remain an entrepreneur”* [68]. This view is reflected in Davis’ Iron Law of responsibility stating: *“To the extent businessmen do not accept social responsibility obligations as they arise, other groups eventually will step in to assume those responsibilities”* [61]. In line with his view on business as a service to the public Baťa went one step further and in 1923 decided to run in the local election. He was unhappy with the current elected representatives and he criticized their expenditure (most notably the development of a new town hall at a cost of six million CZK), he won the election and became the mayor of Zlín, he promised to create Great Zlín aiming to provide wellbeing to all its citizens. In 1927 he ran again, and his candidacy was based on fulfilling all of the last election campaign promises. He managed to accomplish all his commitments to the people of Zlín during his term in office (these included securing a loan for the town at promised interest rate, building roads and sewage system). His commitment and social responsibility were not limited to his employees but also to the citizens of the wider community as reflected by subsidizing public services. In his 1923 programme Baťa offered to build an alternating electric current net for a local village free of charge and supply of electricity 20-30% cheaper than electricity supplied by competitors and free street cleaning service at the expense of his company. Both tasks were successfully accomplished as evident in the 1927 programme.

Baťa continued on this path of great city creation, his goal was to create a *“garden city, full of sun, water.....city with the highest wages, prosperous enterprises, city with the best schools. Our ambition is to free all our women from the last remnants of home drudgery and to help them build a home that would be their pride”* [68].

The Baťa enterprise expanded and grew under the careful management of the CEO and the city grew as well. After he became the mayor in 1923, the company-built shops, hotel, cinema, hospital, school buildings, science buildings, film studios and new houses. The number of inhabitants grew from 4678 in 1921 to 21582 in 1930. The new developments transformed the city into a modern vibrant industrial city, built according to modern architectural plans. Many important architects of that era participated on the transformation and the town became a unique European city [90].

Despite his strong social conscience and belief in public service Baťa’s rule was that money should be earned, not given [68]. He believed that the experience gained during the development of his business empire should be passed on to future generations. His ideal man was a worker who sees his work as joy and moral duty and who seeks happiness in the perfection of his tasks and service to others: service to the public. His aim was to provide his employees with the ability to earn a sufficient salary within eight hours of work. The idea of social responsibility lied in the service to the whole world, as Baťa believed the use of inventions of others binds his workers to work for others [68].

The idea of service was interwoven in his approach to life overall. No achievement was too small, he held the belief that the whole world exists to serve humanity and people are born to serve the world. No task was unimportant if it was accomplished as best as it could have been and with integrity [68]. Following Emerson, Baťa observed: "If a man can make a better mouse trap than his neighbour, the world will make a beaten path to his door" [86]. His mouse trap were his shoes and during his lifetime he managed to become the "Napoleon of shoes" [73].

5. DISCUSSION AND CONCLUSION

The study of management methods of businessmen like Baťa is crucial for our understanding of the origins of what we now call CSR. It is evident from literature that CSR can be traced back centuries and studying its origins allows scholars to determine the paradigmatic shift from practice to academia and provide tried and tested CSR initiatives to practitioners.

There is an increasing understanding of the growing importance of history research for CSR theory and practice [91] as the research fails to engage "reflexively enough with its past" [92]. Academia have failed to agree on a single definition and the term itself has been criticized and described as "essentially contested" [17, 93]. Combined with the increasing expectations society has on business it leads to a "discursive struggle" between the field of academia and business [94].

CSR definitions point out CSR should be an answer to expectations of society [95, 10, 8, 96], however it is crucial to question what was here first "corporate practices or public expectation of thereof?" [97]. The current study confirms Baťa implemented number of CSR practices (i.e. employee welfare programmes, training and development, accommodation, free medical care, low cost grocery store) in advance of academia accepting CSR as a topic of research interest. Jonker and Marberg argue that business is in control over the CSR narrative thus the institutionalization of CSR is virtually certain "under its business case definition" [94]. The case of Baťa Shoe Company confirms their argument, as CSR has been practiced decades before the academic debate started.

The leitmotif of the corporate CSR engagement is the notion of its implementation on the corporate terms and conditions, as evident of its use as self-defense [63, 98, 64]. Levitt, a staunch believer in the classic economic theory of maximizing profits, sees the impetus of social responsibility to be defense mechanism to mounting criticism from the public [63].

There are plethora of other reasons why corporations engage in CSR: cost and risk reduction, profit maximization and competitive advantage, reputation and legitimacy, synergistic value creation [67] or positive impact on corporate financial performance [99, 100]. Sprinkle and Maines see CSR as a risk management tool as it can be used as "effective lever for easing legal or regulatory constraints" and "thwart legislation that could impose even tighter standards" [101]. Baťa's perspective on business as a 'service to the public' was more pragmatic, he believed that fair treatment of employees and customers and public overall is beneficial as it prevents arguments about wages, arguments about losses stemming from consumers haggling about prices of products [68]. High labour turnover has often negative effects on organizational performance and profitability. Baťa believed employee welfare and high wages result in competitive advantage, since companies known for employee welfare are able to attract skilled and innovative people and thus are more resilient in face of adversity.

Baťa was a capable and successful businessman with a very strong social conscience. The accomplishments he made during his lifetime are summarized by the following statement: "*.....the proper "social responsibility" of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well paid jobs, and into wealth*" [102]. The CSV concept echoes this view and supports the stakeholder perspective on management and increased social responsibilities.

He argued that businessmen focused only on self-interest and own profits are condemned to loss in the long run and believed moral businessmen cannot be created by law. He was opposed to charity as he believed money should be earned. Kaplan (2015) argues the concept of corporate responsibility is corporate invention created only to prevent government intervention. In Baťa's case it was rather government incompetence as demonstrated on the mismanagement of the 1920-1922 crisis [69].

Baťa managed to "tame the dragon" [102] as he created something unique during his lifetime, a management system that survived and is still operational within Baťa companies today. He was one of the first pioneers faced with the task of managing a large international corporation in times when business management as a profession and an academic discipline was in its infancy. His main legacy is the importance of employee welfare. He believed that companies have the responsibility to look after their employees and pay the highest salary possible. His employees enjoyed a number of benefits, sometimes unavailable to employees today, such as free medical care, low-cost grocery stores, low-rent modern houses or company-built sport facilities. He also focused on the role of motivation in increasing performance. The validity and value of CSR has been argued over for decades and disregarded as a "subversive doctrine" [103] and there are number of arguments supporting and disproving the assumption of social responsibilities by business [104]. Nevertheless, this is an ongoing academic debate.

Baťa was not an academic, he was a businessman who did what he believed would best serve not only his employees, but the wider public, thus implementing the stakeholder management perspective. He was not a philanthropist and source of charity. He believed money should be earned, not given and employees should enjoy their work, but at the same time see work as a moral duty.

The failure of academia to provide a functioning and practical definition of CSR is evident in literature. The ongoing debate about universally accepted model, definition or measurement hinders its implementation. Business is expected to behave responsibly, now more so than ever before; given the seemingly never ending corporate scandals. If the academia fails to provide directions for CSR concept and its implementation, the business will find their own solutions. Baťa shows that CSR can be designed and successfully implemented resulting in benefits for all the stakeholders involved: employees, customers and the wider public.

In conclusion money for Baťa was means to an end and his life's motto was public service. He passed the importance of public service on to his employees in his unique system of social capitalism. Even during the hardest times, Baťa had in mind the physical and moral wellbeing of his employees, whom he proposed to call colleagues. The study of early CSR practitioners such as Baťa supports Kaplan's view that the notion of corporate responsibility is a business invention and a method of power redistribution within the society [97]. It confirms the existence of CSR as a tool of humane management practices prior the academic theoretical conceptualization.

The comparative analyses of early CSR implementation allows the academia to fully understand the roots of CSR and unearth the complexity behind the concept. The CSR origins are deeply rooted within the business practice as demonstrated in this study. The theoretical debate on CSR definition, measurement or classification seems to be no closer to agreement today than ten, twenty, thirty years ago. The concept of CSR has been hijacked by the 'greedy corporation' and it could be argued it has lost all its original meaning and is often used as a PR tool. As Votaw argued this wonderful term means many things to many people [15].

This study shows the origins of CSR lie in the practical world and it is the studies of the 'proto'-CSR that enable the understanding of its inception. Baťa's success shows CSR does work and brings number of benefits: employee attraction and retention, increased performance and employee motivation. It is evident the concept of CSR needs a radical overhaul and studies of its origins will provide the necessary guidance. CSR is an ethical concept and is shaped by historical, cultural, political and socio-economic conditions in a particular country [105, 106].

Future research should thus look how the CSR has been conceived and practiced; specifically in the regions outside of the Northern America and Western Europe due to lack of research thereof [52].

6. REFERENCES

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