

'Foundations of Management' by Juan Antonio Pérez López
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PROLOGUE

The mission of a Business School is to form persons for the practice of management, understood as a profession, and to develop new knowledge in the service of persons, firms, and society as a whole.

Juan Antonio Pérez López was a professor at IESE Business School, University of Navarre, from 1962 until his death on June 2, 1996, as well as its Dean from 1978 to 1984. His profound philosophical, scientific, and mathematical knowledge led him to pour his concern for personal formation into a Theory of Action in Organizations which has constituted a major and significant step forward for scientific research.

He wrote his doctoral dissertation at Harvard on control mechanisms in business. He explored General Systems Theory, the laws of cybernetics, and other subjects which supplied valuable knowledge by introducing the systemic paradigm of organisms, viewing relationship as an essential element. Thanks to his interdisciplinary knowledge, Pérez López questioned the approach to the resolution of human problems on which the paradigm of scientists in these fields was founded.

If pressed to summarize Juan Antonio's contribution, we would say that, from an integral understanding of the person, he examined the human dimension of problems in decision-making in an objective manner. How did he arrive at this humanist synthesis? By designing a complete rule for decision-making which both anticipates and analyzes the consequences that will arise as the problems faced by managers are resolved, neglecting none of the variables, and clearing the way for the discovery of new solutions.

His model is laid out—with all the complexity its logic entails—in his first book, *Teoría de la acción humana en las organizaciones: La acción personal* (1991). He later wrote *Fundamentos de la Dirección de Empresas* (1993)¹. Why publish an English edition of this final book twenty years later? Because Juan Antonio's anthropological theory is both timeless and very significant for a comprehensive understanding of decision-making.

Juan Antonio sought a scientific explanation of reality. He produced a positive science with the goal of assisting people in making the right decisions. His theory isn't simply one further step in a field of knowledge developed over the centuries, nor one more variation on some recent trend. This theory amounts to a radical transformation in the understanding of human actions and organizations. One may notice an absence of bibliographical references to other authors, and to many of the problems they discuss: for instance, in organizational theory. Such a catalog was not his aim. The decision-making process he developed corresponds to a fundamental anthropological idea on human development within organizations, one which moves beyond previous theories and is more crucial than ever to resolve the great challenges that we confront as a society today.

What does Pérez López's theory contribute to human organizations?

The November 2013 Report of the World Economic Forum (WEF) points once more to "the loss of values in leadership" as one of ten dangerous tendencies on a global level. Immediately afterwards, the

authors inquire: “How can leaders develop a global and integral vision, uncontaminated by their own interests?” Indeed, in the interviews on which the report is based, a majority of responders indicate their lack of trust in leaders. It is precisely this crisis of confidence which threatens the legitimacy of the institutions of the capitalist system.

The analysis of this data, to which we might add numerous other interviews indicating a similar trend, shows that mistrust arises when someone suspects a leader of seeking his own interests, or interests that fail to take into account the people affected by his other decisions.

Pérez López’s theory provides the keys needed to develop leadership that inspires confidence, leadership that emanates from a person capable of integrating self-interest with the satisfaction of the needs of others. By contrast, the opportunistic behavior of someone who merely pursues his own advantage generates distrust and creates uncertainty throughout the environment. If this person also enjoys a position of power, the negative impact on trust-based relationships is even greater.

Juan Antonio was able to discern that trust and mistrust do not depend merely on the structures, systems, cultures, and/or shared values crucial to any organization. Trust arises, grows, diminishes, or is lost through the interactions between persons, hinging on the motives, intentions, and purposes of the decision-maker.

Juan Antonio shows that any action implies a process necessarily involving three elements:

1. Interaction (action-reaction) between the agent and the one affected by his decision.
2. The agent, in whom—as we shall see further on—positive or negative learning arises, depending on the action’s consistency.
3. The person affected by the decision, in whom positive or negative learning also arises.

Due to the dynamism of the action, which entails the interrelation of these three elements, the decision itself yields consequences for the person to whom the action is directed, but also for the decision-maker. This impact on the interacting persons produces learning which modifies their approaches to future decisions, both personal and professional, as a function of the experience being acquired. This is why the static paradigm, which acknowledges a very broad but closed array of definite and limited statements, of the “If AX, then BY,” fails to do justice to the reality of business.

There is a *before* and an *after* in any relationship’s quality, which depends on the intentions—the kinds of motives—that drive a person to action.

1. With extrinsic motives, we seek some benefit which comes to us from the outer environment. The verbs that best capture this are *have, obtain, achieve, acquire* (incentives, compensation, awards, status, recognition, or prestige).
2. With intrinsic motives, we seek to learn, or to acquire operative knowledge (skills, techniques...). The verbs here are *know, learn, enjoy, or overcome* a challenge.
3. With transcendent motives, we seek the utility or benefit the action will have for other persons. The word is *serve*: to satisfy the real needs of persons—whether material needs, the need for knowledge, or the need for human development.

The first type of motive is common to all decision-making theories. The second is also frequently found under the label “intrinsic motivation,” although Juan Antonio has a broader meaning in mind. The third

type is dealt with occasionally as altruism: “other-motivation,” with a meaning very different from Juan Antonio’s. Faced with an isolated, static notion of each of these motives, Juan Antonio provides a dynamic explanation of the workings among all three, as well as the necessary conditions for their transformation into an “inner strength” that leads to decision-making.

Juan Antonio helps us understand that any business decision (acquiring resources, production, consumption...) entails an implicit ethical meaning. He was concerned with the development of human thought as an instrument for the solution of real problems: problems that require thought, analysis, and awareness of context, so as to identify alternatives that are effective as well as just, opening up an immense panorama for business ethics.

For example, a manager motivated solely by the money he will make by selling a product, by the challenge of that sale, and/or by what he can learn, with no concern for the real needs of the customers, has not progressed beyond self-interest. This approach to action, whether the manager realizes it or not, will influence him, both in his future decisions and in the future relationships he will—or will not—be able to build with this client and other persons.

Real problems—the kind that arise in any company’s day-to-day operations—are not only matters of knowledge—how to do things, or how to maintain the capacity to do them—but are much deeper. It is relatively easy for a manager to know whether an employee is doing his job efficiently but still be unsure of his trustworthiness. An employee might have the same sort of doubt about a supervisor. How can we know whether somebody is trustworthy or not?

Juan Antonio would respond that a person can certainly become increasingly motivated to cooperate in carrying out an action plan by desirable economic results. But at the same time trust may be destroyed—and with it any opportunities to pursue that relationship in the future –, if that person discovers that the decision-maker is only concerned with his own advantage.

Trustworthiness is achieved when one is driven by transcendent motives. Trust is therefore a “personal” matter. The relationship of trust is established when the intentions of those involved in the interaction seek a mutual benefit, if this is confirmed over time. Without this premise, trust is lost: an extremely serious consequence, since the market, by itself, cannot entirely fulfill its own economic purpose. It requires relations of confidence and solidarity, but these are externals as far as the economy is concerned—since they are neither bought nor sold. Trust is therefore the main asset in any human organization.

One essential contribution of Juan Antonio’s theory is the analysis of action that occurs within the individual himself. Juan Antonio indicates that in any interaction three levels of learning arise simultaneously:

- Operative learning: the acquisition of knowledge, skills, competencies, and abilities
- Evaluative learning: the value we confer upon another person, which may be positive or negative, depending on whether we consider him as:
 - o a value in himself, and thus treat him with respect and dignity, or
 - o an instrument to be used, and thus subject him to manipulation, deception, or harm in order to obtain some advantage.

How does one achieve positive evaluative knowledge: that is, develop an evaluative capacity? Juan Antonio affirmed that it is essential for each person to learn to evaluate his actions *a priori*, so that his decisions become more and more correct, and treat persons according to their real value. In order to do this, they must take into account the following criteria/motives:

- effectiveness: the extrinsic results desired
- efficiency: the intrinsic impact the decision will have on the decision-maker, and
- consistency: the impact the decision will have on the persons in question.

At this point, we must clarify that mutual trust between two persons who enjoy freedom does not arise from a spontaneous motivation that only aims at effectiveness: that is, the achievement of particular extrinsic results. Rather, it requires:

- being moved by transcendent motives: by the real value that others possess from a practical point of view: that is, respecting the dignity they possess by virtue of being persons.
- that the motivation be rational: that it generates various alternatives that acknowledge the extrinsic, intrinsic, and transcendent effects that will foreseeably be brought about by the action, rather than being carried along by whatever is most appealing.

Thus, for positive learning to arise, three things are required:

- that rationality selects the alternative which is effective but also always consistent;
- that the implicit intention is always to treat the other as another “I,” appealing to his freedom and good willⁱⁱ; and
- the presumption that the other is trustworthy; he must be given the opportunity to demonstrate it.

It is clear that this type of decision is very different from the kind that arise spontaneously without previous rational consideration. It is not a matter of “gaining experience” but of creating it: of making possible those experiences that strengthen the relationship through acquaintance with the other: his motivations, intentions, or desires. As a fruit of this interpersonal relationship, the internalization of the other allows the decision-maker to discover by experience—to sense—a profound satisfaction upon finding that his actions are reciprocated.

This point opens up an immense panorama for ecology—both environmental and human—as well as for every field in which—in one way or another—the person plays a part. Environmental ecology demonstrates that human beings indulge in excessive consumption and upset the order of natural resources without considering the impact of their actions. If we cut down a tree to obtain its fruit, our action is clearly effective. We have the fruit that we sought—but we have also eliminated the possibility of doing so in the future.

As simple as this example is, it reflects just how effective an action may be in the short term and yet be inefficient with regard to future decisions. Taking reality into account—the inner dynamic of the realities and the persons with whom we interact—*consistency*—is of vital importance for foreseeing an action’s external consequences. From this point of view, Juan Antonio’s theory explains and predicts what will happen when we make inconsistent decisions, because—whether the decision-maker wishes it or not—the changes will have their influence on both effectiveness and efficiency.

Decisions made with consistency, along with the acquisition of positive evaluative learning, require the decision-maker to “come out of himself” and take an interest in the other person: asking, confirming, finding out what his real needs are—and they require an adequate response to those needs. Both are necessary: to knowledge, and to take actions taken in consequence.

When we treat the other according to his needs, and not according to our own momentary advantage, we demonstrate a true interest in him. When we stop short at learning what his needs are, in order to attain certain objectives of effectiveness for ourselves or for the company, then, whether we intend it or not, we are treating him as a means to those objectives, whose value depends on his usefulness. That is, we are treating him as a resource.

The image that emerges of such a manager is that of a strategist or executive who, under the appearance of service, thinks only of himself: an egotist. And this tendency will manifest itself every time he needs to make a decision in which his extrinsic and/or intrinsic motives are set against the good of another person.

The person treated in this way will have less and less interest in cooperating with such a manager. And this can happen even if his actions bring about desirable financial results. Each action will have been effective, but their inconsistency will reduce the range of feasible options in future decisions.

As we go about evaluating the consistency of our actions, we will discover whether others are more or less disposed to interact with us again. If the other responds to this *personal* treatment, the value of *unity* will begin to arise between them in successive interactions: a value by which all possible actions will come to be feasible,ⁱⁱⁱ regardless of the feelings we may have towards a particular person. It is a question of each one receiving the treatment he deserves simply by virtue of being a person.

The manager has to value a consistent option—moved by transcendent motives—under the hypothesis that the other will also be moved (to some degree) by transcendent motivation, though aware that this hypothesis may not be confirmed. This is the necessary risk entailed in building the relationship of trust indispensable to the development of his collaborators, a responsibility that goes beyond the achievement of other objectives.

When the manager is moved by transcendent motives, he is perfected as a subject, because his actions leave a mark which, like it or not,^{iv} will alter his future trajectory. And this is true even if he discovers that his collaborator is untrustworthy, since he will have helped him to the extent possible, and this, too, will leave its mark on the other.

The “inner strength” that the consequences of the decision/action generates in the subject himself makes it easier for him to decide rightly again. When next faced with a decision that is very appealing from an economic perspective, but unjust, he will be better able to reject it, since his rational motivation will have acquired the *facility* of spontaneous motivation. The manager will be capable of valuing other options that are also advantageous—perhaps not as much so as the first one, or perhaps more—which are also ethical (consistent) and thus do not destroy mutual trust.

The strength that moves the manager to act in this way is given by an “intelligent heart,” one that knows how to discover in every scenario the most suitable course: he has learned how to integrate his wants and his duty, and not merely by use of the Kantian “ought,” or by equating the ethical with the economically profitable. This strength will also facilitate his avoidance of inconsistent actions, since he

chooses to be ethical from a place of freedom, and not by an imposition from outside, knowing and valuing the deeper satisfaction born of establishing a relationship of trust, rather than the gratification that other goods produce.

Juan Antonio highlights the fact that ethics is based on the reality of the decision itself and not on abstract rational principles employed by ethical theories, nor on particular extrinsic effects. If rationality (the wanting) and will (the doing) increase in a consistent action plan, the affection for the other (the feeling) in the act itself will, at the same time, also increase. A manager can only grasp what a person is doing for him—what an action costs that person—to the extent that he has been capable of doing the same for him, or for another. This means entering into the circle of affectivity and gratitude for these actions, rather than remaining locked within the game of opportunistic interests.

Alongside the comprehensive rationality of Juan Antonio's model, the use of rationality in other theories is *instrumental*: rationalism ignores affective human realities; voluntarism disregards or impedes the unity of the person, conceiving freedom as independence incapable of commitment; and sentimentalism replaces value with sentiment or affective response, viewing human action as a simple product of sentimental impulses.^v Pérez López insisted that the worst that can happen to a person is to enter upon a path of experience that produces satisfactions—addictions—which damage and isolate him. The one who seeks opportunistic effectiveness, or efficiency without consistency, sets out on a course of *negative evaluative learning*: the fruit of spontaneous motivation—through extrinsic or intrinsic motivation.

By contrast, positive evaluative learning arises to the degree that we are able to know the needs of others and bear them in mind in our decision-making. This is why Juan Antonio constantly speaks of the importance of *how* we make decisions, not only the results obtained, since motivational/evaluative learning continues to unfold throughout one's lifetime.

Nothing is so eloquent as when the truth appears in someone who personifies it. We speak colloquially of a person being good if he is concerned for others and selfish if he only seeks his own interest. As we saw at the beginning, egotism is corrosive to life in society: the businessman who only chases profits, the politician who only pursues power, the scientist who only seeks a challenge, or his own reputation...

Juan Antonio highlights the difference between motives (ends, values, goods) and motivations (evaluations). And we can appreciate why he insists on this distinction: values exist in reality, which *is* valuable: to the extent that I possess it, I enjoy the corresponding satisfaction. Evaluations, on the other hand, exist within each subject: they vary according to the learning acquired. To fail to develop evaluative knowledge amounts, in practice, to growing incapable of seeing the damage we are causing ourselves and others with our way of acting, as well as thwarting our own future ability to maintain quality relationships.

The unified treatment of decision-making opens up an approach to make science that integrates criteria of ethical rationality, psychological rationality, and economic rationality—since human beings do not perform one action for becoming good, another for developing their cognitive and operative capacities, and yet another for increasing profits. Juan Antonio integrates anthropology into decision-making and demonstrates that this is the route to technical, scientific, or economic results.

The purpose of this edition is to open up new avenues for research and the resolution of problems—especially in business organizations – institutions with the greatest impact on people’s everyday lives –, where it is easiest to observe the relations among effectiveness, efficiency, and consistency. For many decades, both this book and Juan Antonio’s theories themselves have been a font of inspiration and a stimulus for many. To speak only of IESE Business School, we have seen prolific research based on his theories from Antonio Argandoña, Josep Rosanas, and Miguel Ángel Ariño, among others. Not to mention the countless alumni who have enriched their managerial work through their acquaintance with his theories in this book, his technical notes, and their application in the discussion of countless cases. Now it is your turn, dear reader, to immerse yourself in this book and hold the treasure that Juan Antonio has placed in your hands.

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Barcelona, the 26th of June, 2014

ⁱ Pérez López’s posthumous book (1998), *Liderazgo y ética en la dirección de empresas. La nueva empresa del siglo XXI*. Deusto, Bilbao.

ⁱⁱ As distinct from other ways of influencing others: coercion and manipulation.

ⁱⁱⁱ The error of deriving moral relativism from sociological relativism, or of deducing what is good and evil from the most widely accepted customs or ways of life of a certain people or epoch, is to believe that if P is a sufficient condition of Q, it is also a necessary condition. For instance, “It’s raining; the ground is wet” (one cannot infer that the ground is wet *because* it is raining); “The car has no gasoline; it doesn’t run” (one cannot infer that it does not run *because* it has no gasoline). This is where the psycho-sociological paradigm breaks down.

^{iv} Our freedom is not independent: it can select the beginning of a path, but not its consequences; if I choose an aim, I am bound to follow the path that leads me to it. We are conditioned by our own nature and by the learning that we are continually acquiring, both positive and negative.

^v For further development of this subject: López-Jurado, M. (2010) *La decisión correcta*. Desclé De Brower, Bilbao.