PEOPLE, FIRMS AND SOCIETY

Three Proposals for aligning personal motives, firm’s goals and societal needs

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ABSTRACT

This paper presents three proposals for aligning personal motives, firm’s goals and societal needs. A growing number of scholars are turning their attention to the impact of assumptions on management theory and practice. The search for sustainable ways for aligning economic and social goals at different levels of analysis has been and it continues to be a key task of scholars from different disciplines and, therefore, management studies. This paper aims at contributing to the effort of these scholars by revisiting the dominant assumption underlying the relationship between economic and social goals and proposing alternative models for a sustainable alignment between people, firms and society in management studies and practices.

In order to achieve this aim, this paper first revisits the assumptions and impact on practice of the dominant paradigm explaining the relationship between firm performance and societal needs. This paradigm, coined “the great trade-off illusion” – that is, the belief that firms must sacrifice financial performance to meet societal obligations-, assumes a permanent trade-off between economic and social performance and, therefore, is unable to explain and prescribe sustainable ways for aligning personal motives, firm’s goals and societal needs. After making explicit the assumptions and impact of the trade-off illusion dichotomy, this paper analyzes and build an alternative paradigm called “instrumental-alignment”. As in the case of the trade-off dichotomy, the instrumental alignment proposal does not allow for a sustainable alignment given its restrictive assumptions. In particular, this latter proposal is based on the assumptions of enlightened self-interest, profit maximization, societal material well-being, and a conflict between individual and collective rationalities, which create inherent trade-offs that create unsustainable alignments.

In order to overcome the limitations of the trade-off and instrumental-alignment models, this paper proposes a third model, named “intrinsic alignment”. This model is based on the assumptions of excellence and practical or part-whole rationality, in which both self-interest and others’ interests are taken into account as ends and therefore are not assumed to be object of trade-offs. Therefore, this model allows a sustainable alignment between personal motives, firm goals, and societal needs because that alignment has value in itself. This paper ends with implications for academics, managers, and policy makers at the level of assumptions, practices, and outcomes.
INTRODUCTION

How personal interests, firm goals, and societal needs can be aligned? The dominant “great trade-off illusion” dichotomy –that is, the belief that firms must sacrifice financial performance to meet societal obligations (Hart, 2005:6)- gives a partial answer to this question, because it focuses on only the firm and societal levels and on negative assumptions that oppose business and societal interests.

Empirical evidence shows that the alignment between firm performance and social needs is possible beyond the negative assumptions of the trade-off illusion paradigm. For example, Xerox´s Asset Recycle Management program for taking back, remanufacturing, and design-for environment strategies in the photocopier business, Volvo´s new radiator that cleans the air as it cools the engine, CEMEX´s innovation in housing for the poor, and The Co-operative Bank´s products aligned to ethical and ecological causes are just few examples of above-average performance by meeting social needs (cf. Hart, 2005; Prahalad, 2005; Laszlo, 2005 for a review).

Based on this evidence, researchers are proposing different models and strategies for aligning business goals to societal needs. For example, greening strategies such as clean technology and product stewardship (Hart and Milstein, 2003) align business to environmental needs; bottom-of-the-pyramid strategies (Prahalad, 2005), micro-credits and micro-enterprise models (Yunus, 2003) serve to align business to the eradication of poverty; and indigenous development strategies such as developing native capability, radical transactiveness (Hart, 2005), and embedding MNC´s in local clusters and entrepreneurship (Rocha, 2006) align businesses to local development. From the theoretical standpoint, after an excellent review of research on economic and social objectives, Walsh et al. propose working on outcome variables that reflect the public good, relationships between organizations and societal institutions, and the mechanisms through which organizational conduct affects the public good (Walsh, Weber, and Margolis 2003:877).

This paper contributes to the effort of this group of scholars by revisiting the trade-off illusion paradigm and analyzing two alternative models for aligning personal interests, firm goals, and societal needs. Based on the premise that our assumptions
drive our theories and models and these, in turn, drive our prescriptions for changing reality, this paper argues that working on assumptions is the starting point for building models and making prescriptions for that alignment. For example, Prahalad has based his BOP model and prescriptions starting from the dominant logic or assumptions of each of the groups related to the eradication of poverty (cf. Prahalad, 2005:6). However, management scholars are not addressing sufficiently both economic and social outcomes in their theoretical models and empirical research (Walsh, Weber, and Margolis 2003) and this paper argues that the main reason are researchers´ underlying assumptions on human motivation, business and society´s goals and their relationship. In fact, many theories run counter such an alignment given their restrictive assumptions, as many scholars have shown (cf. Ghoshal, 2005; Ferraro, Pfeffer and Sutton, 2005; Rocha and Ghoshal, 2006 for a review).

In order to make explicit these assumptions and based on previous research, this paper starts with the generic alignment between self and others´ interests (cf. Rocha and Ghoshal, 2006 for a review). The basic tenet is that the basic human motive is not self-interest but self-love, defined as the inclination of human beings to strive for their own good and perfection (Aristotle, 1984; Aquinas, Book I, 60, 3)\(^1\). In fact, every motivation has two dimensions: the objective dimension is what we consider good for ourselves – i.e. pleasure, sentiments, duty, or excellence- while the subjective dimension refers to whose interest, whatever it might be, is taken into account –self-interest, others´ interests, self-interest as end and others´ interests only as means, or both self-interest and others´ interests as ends. Therefore, the resulting matrix shows that self-interest underlies only three out of eight qualitatively different motives (Figure 1). Acknowledging that individuals do make trade-offs (Jensen and Meckling, 1994:5) aided by a means-end or instrumental rationality logic, it is argued that this is not the most important feature of human nature; seeking good and perfection, evaluating intrinsically non-substitutable goods aided by self-scrutiny and freedom is.
Figure 1
A Self-love View of Human Motives

<table>
<thead>
<tr>
<th>Subject – whose interests?</th>
<th>Only self</th>
<th>Self as end and others’ only as means</th>
<th>Only others’</th>
<th>Both self and others’ as ends</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pleasure</td>
<td>1 Narrow self-interest</td>
<td>2 Instrumental or Enlightened self-interest</td>
<td>N/A</td>
<td>N/A</td>
<td>Self-interest as only motive (cells 1, 2, and 4)</td>
</tr>
<tr>
<td>Sentiments</td>
<td>N/A</td>
<td>4 Instrumental or Enlightened self-interest</td>
<td>Unselfishness (sentiment-driven altruism)</td>
<td>5 Sentimental love</td>
<td>Self-love as the basic human motive integrating self-interest and unselfishness (all cells)</td>
</tr>
<tr>
<td>Duty</td>
<td>N/A</td>
<td>N/A</td>
<td>Unselfishness (Duty-driven altruism)</td>
<td>7 Duty</td>
<td>Self-love as the basic human motive integrating self-interest and unselfishness (all cells)</td>
</tr>
<tr>
<td>Excellence</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>8 Excellence</td>
<td>Source: adapted from Rocha and Ghoshal (2006)</td>
</tr>
</tbody>
</table>

Basic human impulse = Good in general (self-love)
Based on the motivational framework of Figure 1, this paper makes explicit the assumptions underlying the theories, models, and practices associated with the trade-off illusion paradigm and with two alternative paradigms for the alignment between personal interests, firm goals, and societal needs (Figure 2). Firstly, this paper makes explicit the assumptions underlying the dominant trade-off illusion dichotomy and shows why this paradigm does not allow a beneficial alignment between personal interest, business and society’s goals.

Figure 2
Motivational Assumptions and Alternative Paradigms

Secondly, in order to overcome the trade-off illusion paradigm, this paper analyses a different set of assumptions and develops what it calls the “instrumental alignment” paradigm for allowing the alignment between personal interests, business and society’s goals. In this paradigm, others’ interests are taken into account, but as means for a personal end. This paradigm, assumes that the ultimate motivation of individuals is self-interest and their ultimate end is utility maximization. The interests of other people are considered as means for a personal end and, therefore, any supposed motive seeking the wellbeing of others can be reduced to self-interest, giving rise to
what is called enlightened self-interest. As for the nature and goals of the firm, this paradigm assumes that firms are either a nexus of individual contracts or instruments for reducing opportunism, and their goal is profit maximisation. Finally, this paradigm assumes that the ultimate ends of societies are economic growth and material well being.

This paradigm assumes that human relationships are marked by a conflict between individual and collective rationalities, which is called a social dilemma. Within this paradigm, the alignment between personal utility maximization and firm’s profit maximization is done using extrinsic incentives such as bonus, status or any kind of external reward. As for the alignment between the profit maximization goal of the firm and societal economic growth and well-being, this alignment is done by the market mechanism through the price system and by structural solutions to social dilemmas.

This paradigm has a trade-off logic embedded within it, because the alignments between different interests have no intrinsic value: they are just instrumental to personal, firm, or societal ends. Therefore, this paradigm is a necessary but not sufficient condition for a sustainable alignment between personal interests, firm goals, and societal needs.

Thirdly, in order to overcome the limitations of the instrumental-alignment model, this paper proposes an “intrinsic alignment” model as an alternative for aligning personal interests, firm and societal goals. In this paradigm, both self-interest and others’ interests are taken into account as ends and therefore are not assumed to be object of trade-offs. This paper argues that a sustainable alignment between personal interests, firm goals, and societal needs has to be based on a different set of assumptions on human motivation, rationality, and relationships (cf. Rocha and Ghoshal, 2006) that consider those alignments as valuable in themselves. This set of assumptions is provided by the intrinsic-alignment paradigm, which is based on the assumptions of excellence and practical or part-whole rationality. Firms are viewed as cooperative systems for the creation and distribution of wealth and the ultimate ends of society are human and socio-economic development.
Figure 3
Aligning personal interests, firm goals, and societal needs
Instrumental and Intrinsic Paradigms

<table>
<thead>
<tr>
<th>Instrumental Paradigm</th>
<th>Intrinsic Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximisation of self-interest / utility</td>
<td>Harmonisation of multiple motives based on self-love</td>
</tr>
<tr>
<td>Trade-off connection based on extrinsic incentives</td>
<td>Managerial connection based on extrinsic, intrinsic, and transitive incentives</td>
</tr>
<tr>
<td>Profit maximisation</td>
<td>Wealth creation and distribution</td>
</tr>
<tr>
<td>Trade-off connection based on market mechanisms and structural solutions to social dilemmas</td>
<td>Managerial connection based on market mechanisms and the contribution of firms to society</td>
</tr>
<tr>
<td>Economic growth and material wellbeing</td>
<td>Human and socio-economic development</td>
</tr>
</tbody>
</table>
Within this paradigm, the alignment between personal interests and firm’s goals is done by managers using extrinsic, intrinsic, and transitive incentives (Perez Lopez, 1993; Llano, 1997). As for the alignment between the goals of the firm and society, this is done through both the market mechanisms and managerial action based on the contribution of firms to society. These assumptions make the alignment between different interests valuable in itself, which explain why this paradigm is called intrinsic alignment.

Figure 3 summarizes the key features of the two alignment paradigms. This paper ends with conclusions and suggestions for academics, managers, and policy makers, showing that the intrinsic-alignment paradigm is a richer lens to understand and prescribe on a sustainable alignment between personal interests, firm goals, and societal needs.

**FIRST PROPOSAL - THE GREAT TRADE OFF ILLUSION**

The “great trade-off illusion” is a concept coined by Hart to describe the belief that firms must sacrifice financial performance to meet societal obligations (Hart, 2005:6).

Two related assumptions underlie this paradigm. The first assumption relates to human nature and it states that the only human motive is the pursuing of self-interest, which is defined as the individuals’ motivation to do whatever it takes to satisfy their individual desires, being indifferent about how their actions affect others (Adams and Maine, 1998). The object of motivation is pleasure in general, defined as a state that results from *having* health, material goods, honours, status, power, or any bodily pleasures (Aristotle, 1984). Both the lack of regard for the interests of others and the focus on pleasure in general define a specific motivation, which the literature calls narrow self-interest (Mansbridge, 1990).

Narrow self-interest is related to what the social-psychology literature calls own gain maximisation, or self-interest social motive (McClinton, 1972; MacCrimmon and Messick, 1976), defined as the basic orientation to increase “one’s own outcomes.
independent of the outcomes afforded others who are affected by one’s choices” (McClintock, 1972:447). In the same vein, the economics literature identifies self-interest with self-regarding preferences, which “concern the individual’s own consumption and other outcomes” (Ben-Ner and Putterman, 1998:7). Self-regarding preferences are the essence of the standard definition of economic man (Ben-Ner and Putterman, 1998:20; McClintock, 1972), a person who is entirely selfish and entirely rational, with complete and consistent preferences over time. Some researchers argue that economic man has an additional feature, which is having only one want: money income (Jensen and Meckling, 1994:10).

The self-interest view applies not only to individuals in their quest for utility maximisation but also to firms in their quest for profit maximisation. In effect, at the firm level, the goal is profit maximisation (Friedman, 1962; Grant, 1998), which is considered the social responsibility of the firm (Friedman, 1962).

The second assumption underlying the trade-off paradigm follows from the assumption of narrow self-interest and relates to human relationships. Given the existence of narrow self-interest, there is no social action in a sociological sense –i.e. actions that “take account of the behaviour of other individuals” (Weber, [1922] 1968:4). This is the state of nature posed by Hobbes, in which every man is against every man (Hobbes, 1651: I.13.13, cited in Strauss and Cropsey, 1987). Social relations in the market place are considered harmful because they could result in deviations such as nepotism and insider trading, which threaten the three coordination tasks of markets –i.e. how to use resources efficiently, what to produce, and to whom to distribute the products and services (Baumol and Blinder, 1998:60).iii

These two assumptions lead to what is called a social dilemma –that is, a situation in which individual rationality, which is based on self-interest, leads to collective irrationality (Kollock, 1998). In the “great trade-off illusion” paradigm, this conflict is solved through command and control at different levels.

In effect, the conflict between the individual and the firm is solved organising around command-and-control structures, in which employees work with each other because they were commanded to do so, and because they were paid on the results of
their behaviour (Nahapiet, Gratton, and Rocha, 2005). In particular, agency theory (Jensen and Meckling, 1976), based on the assumptions of self-interest and principal-agent conflict (Eisenhardt, 1989) concludes that outcome-based contracts are effective in curbing potential agent opportunism (Rocha and Ghoshal, 2006).

As for the conflict between business and society, this conflict is solved using command-and-control regulations that focus on solving environmental and social issues generated by the “smell of money” mindset, but without regard to their efficiency or cost-effectiveness (Hart, 2005). For example, end-of-the-pipe regulations targeting specific wastes, emissions, and exposure levels focused on payments to reduce negative impacts rather than on dealing with regulations as part of the core strategy of the firms. Milton Friedman’s statement that the social responsibility of firms is to maximize profits underlies the idea that environmental and social concerns reduce profits.

Summing up, the great trade off illusion paradigm is based on the assumption of narrow self-interest and a permanent conflict between individual and collective rationality, leading to a command-and-control type of alignment between personal interests, business goals, and societal needs. This is still the dominant paradigm of firms operating in developing counties (cf. Oxfam, 2002; UNCTAD, 2004; Rocha, 2006); however, alternative paradigms are emerging, which are developed in the next two sections.

SECOND PROPOSAL - THE INSTRUMENTAL-ALIGNMENT PARADIGM

In order to overcome the trade-off illusion paradigm, this section analysis an alternative set of assumptions and develops what it calls the “instrumental alignment” paradigm for allowing the alignment between personal interests, business and society’s goals. This paradigm is based on the assumptions of enlightened self-interest and instrumental or end-means rationality at both the individual and firm levels, which implies that the alignment among different interests has no value in itself. This is why this paradigm is called instrumental alignment.
Personal interests, firm goals, and societal needs under the instrumental alignment paradigm

As in the case of the trade-off illusion paradigm, the instrumental-alignment paradigm is based on the assumption that the ultimate motivation of individuals is self-interest and their ultimate end is utility maximization. However, the instrumental view includes others’ interests as means and motives other than pleasure (Jensen and Meckling, 1994). Therefore, any supposed motive seeking the wellbeing of others can be reduced to self-interest, giving rise to what is called enlightened self-interest (Figure 1, motives 2 and 4). Some argue that self-interest includes altruistic behaviour (cf. Jensen, 1994) because individuals are willing to substitute some amount of a good for some amounts of other goods (Jensen and Meckling, 1994). This assertion assumes that any preference is an exchangeable means. Jensen and Meckling go as far as to include morality as an exchangeable commodity, but this assertion contradicts the very concept of duty. In effect, duty is the definitional concept of deontology (i.e. deon = binding duty), a school of ethics that takes others always as ends and judges the morality of an act according to the duty it discharges rather than by the consequences it produces (cf. Etzioni, 1988:13; Sen, 1990a: 33). For this reason, self-interest is not included in those cells of Figure 1 where duty and excellence are the objects of motivation and where others’ interests are considered as ends.

As for the nature and goals of the firm, the instrumental paradigm assumes the goal of the firm is profit maximisation (Friedman, 1962; Grant, 1998) and the central issue of strategy is to develop valuable and difficult to imitate resources (Barney, 1986) and to place the firm in a superior market position (Porter, 1980; 1985). As a result, the central focus of strategic management is on selecting the means to achieve the assumed profit maximisation goal. The origin of the firm is explained as a response to market imperfections such as the presence of transaction costs (Coase, 1937; Williamson, 1975). Firms are second-best and, even within the boundaries of the firm, market mechanisms such as competitive incentives and outsourcing are proposed to run firms as market-like as possible (Ghoshal and Moran, 1996). Firms are not considered as cooperative systems (Barnard, 1938) or institutions (Selznick, 1957), but as either nexus of individual contracts (Alchian and Demsetz, 1972) or instruments for reducing opportunism (Williamson, 1975).
Finally, this paradigm assumes that the ultimate ends of societies are economic growth and material well being, defined as “a continued increase in the size of an economy, i.e. a sustained increase in output over a period” (Allen and Thomas, 2000). Two main distinctions are in order. The first one is between economic growth and economic development. While economic growth is a quantitative change in the scale of the economy in terms of investment, output, consumption, and income, economic development is a qualitative change, which entails changes in the structure of the economy including innovations in institutions, behaviour, and technology (U.S. Department of Commerce, 2000). Within the instrumental paradigm, economic development is a means for economic growth. The second important distinction is between traditional economic development definitions and the new view of development. The traditional view understands development as the capacity of a national economy to generate and sustain an annual increase in its gross national product (GNP) and/or income per capita. This view prevailed until the 1970s and defined development as an “economic phenomenon in which rapid gains in overall and per capita GNP growth would either ‘trickle down’ to the masses in the form of jobs and other economic opportunities or create the necessary conditions for the wider distribution of the economic and social benefits of growth” (Todaro, 2000:14). The new view of development emerged during the 1970s when many underdeveloped countries had realised their economic growth-targets during the 1960s but the standards of living of the masses of people remained unchanged. The situation worsened during the 1980s, when the distribution of the benefits of development was concentrated on the richer scale both within and across countries (UNDP, 1992; Todaro, 2000). Thus, economic development was redefined as reduction of poverty, inequality, and unemployment within the context of a growing economy2.

Instrumental Alignment

2 Even the World Bank, which during the 1980s championed economic growth as the goal of development, has joined the new current (www.worldbank.org). For a critique, see Wade (2001). Despite the change of emphasis towards development, the main indicators to rank countries in terms of development are still motivated by economic growth. A clear example is the Growth Competitiveness Indicator (GCI), a multiple-item indicator created by the World Economic Forum to capture the essential components that promote economic growth (cf. Schwab et al. 2001).
As in the case of the trade-off illusion paradigm, the assumption of enlightened self-interest at the individual and firm levels leads to the assumption of social dilemmas in human relationships. However, in the instrumental alignment paradigm, the focus is on the conditions under which cooperation will emerge in a world of egoists (Axelrod, 1984:3), focussing on both structural and strategic solutions to social dilemmas rather than on command-and-control. This assumption heavily configures the alignment between personal motives, firm goals and societal needs that is the object of this section.

Given that the instrumental view assumes self-interest as the basic human motive and social dilemmas at the core of human relationships, the alignment between personal interests, firm goals, and societal needs will be based on the personal pay-off that would result from the relationship between these levels. This means that others’ interests and cooperation have no intrinsic value; rather, they are means for personal ends (Rocha and Ghoshal, 2006). People will cooperate with others only when they believe that to do so will advance their personal interests. In other words, cooperation is extrinsically motivated (Miles et al. 2005).

Given that human motivation is given, managers and policy-makers behaving under the instrumental alignment paradigm focus on what the literature calls strategic and structural solutions to social dilemmas (cf. Kollock, 1998). On the one hand, strategic approaches focus on different strategies for playing the game of cooperation, such as TIT-FOR-TAT, OUT-FOR-TAT, and the like (cf. Kollock, 1998 for a review). On the other hand, structural solutions focus on changing the conditions and the pay-off structure of the game. For example, self-interested behaviour could be diminished or raised according to different rules of the game such as repetitive interaction (Axelrod, 1984), lack of anonymity or identifiably (Axelrod, 1984; Leylard, 1995), information about past behaviour (Axelrod, 1984), pay-off structure (Rabin, 1993; Komorita et al. 1980; Dawes et al. 1990), impact of individual actions or efficacy (Bornstein et al 1990), group size (Olson, 1965; Komorita and Lapworth, 1982), the establishment of boundaries to the access of common goods (Ostrom, 1990), and sanctions (Olson, 1965; Komorita, 1987; Ostrom, 1990).
Within the instrumental-alignment paradigm, the alignment between personal utility maximization and firm’s profit maximization is done using extrinsic incentives such as bonus, status or any kind of external reward (cf. McGregor, 1966; Perez Lopez, 1993; Llano, 1997; Frey, 1997). For example, a front line worker could discover important and potentially useful information about a group of customers with whom she/he is interacting. The worker behaving in a self-interested manner would exchange this specific knowledge with his / her managers if the value of retaining his / her personal knowledge is lower than that resulting from sharing it and if the distribution of benefits could be negotiated and agreed (Nahapiet, Gratton, and Rocha, 2005). Therefore, there would be no exchange in contexts where the party to any exchange is unable to reciprocate since the probability of success and reciprocity are essential parts of the mean-ends calculus of instrumental rationality (Biggart and Delbridge, 2004) underlying the instrumental-alignment paradigm. Considering different motives such as income –i.e. a specific example of pleasure- and fairness –i.e. a specific case of duty and excellence-, does not change the argument, because they are traded-off as if they were exchangeable commodities in order to maximise personal utility (cf. Rocha and Ghoshal, 2006).

As for the alignment between the profit maximization goal of the firm and societal economic growth and well-being, that alignment is done by using two methods: the market mechanism through the price system and structural solutions to social dilemmas either by firms themselves or by governmental action. Examples of alignment through the market mechanisms are market-based incentives such as tradable emission permits (Hart, 2005), selling products supporting cause-related marketing because they provide a higher value than standard products (Rocha and Ghoshal, 2006), pollution prevention and product stewardship programs that result in superior financial performance (Porter and Van de Linde, 1995), charges per bottle for reducing rubbish in public places (Osborn and Gaebler, 1992), and any governmental action focusing on improvements in supply, demand, accessibility, information, rules, and sanctions, six key elements for the functioning of the market (cf. Osborn and Gaebler, 1992).

As for alignment through structural solutions to social dilemmas, some examples are the disclose of information about past behaviour (Axelrod, 1984) such as Toxic Release Inventory requiring that US manufacturers disclose their use, storage, transport,
an disposal of toxic chemicals that were legal at the time of passing the law (Hart, 2005), and the impact of individual actions or efficacy (Bornstein et al 1990; van de Kragt et al 1993) such as the extended producer responsibility law stipulating that manufacturers are responsible for the product they create all the way to the end of their useful life (Hart, 2005).

Summing up, the instrumental-alignment paradigm is based on the assumptions of enlightened self-interest as the basic human motive and of social dilemmas as the main pattern of human relationships. The main feature of human nature is assumed to be making trade-offs and substitutions in order to maximise utility (Jensen and Meckling, 1994). Therefore, the alignment between personal interests, firm goals, and societal needs is based on the pay-offs that result from the interaction between these three levels of alignments.

Assuming self-interest and social dilemmas implies that the trade-off logic is embedded within any managerial and policy initiative based on this paradigm for aligning personal interests, firm goals, and societal needs. In effect, multiple ends pose a problem to maximisation techniques, because it is “logically impossible to maximise in more than one dimension at the same time” (cf. Jensen, 2002:238). Optimisation methods implicitly assume substitution and therefore different ends are dealt as substitutable means rather necessary parts of a whole. This means that alignments have no value in themselves in the trade-off logic embedded within the instrumental paradigm. Therefore, it is necessary to develop an alternative paradigm in order to reach a sustainable alignment between personal interests, firm goals, and societal needs. This paradigm is proposed in the next section.

THIRD PROPOSAL – THE INTRINSIC ALIGNMENT PARADIGM

Given the trade-off logic embedded in the instrumental-alignment paradigm, this paradigm is a necessary but not sufficient condition for a sustainable alignment between personal interests, firm goals, and societal needs. In effect, alignments between different interests have no intrinsic value, because they are just instrumental to personal, firm, or societal ends. Under the instrumental-alignment paradigm, alignments will work through win-win strategies only till the threshold allowed by the pay-off structure of
each level. In addition, in order to have an homogeneous structure for maximization purposes, this paradigm acknowledges the existence of different preferences such as pleasure and duty, but it assumes that they can be traded off as if they were exchangeable commodities (cf. Rocha and Ghoshal, 2006:586-8; 604-606)\textsuperscript{vi}.

This focus on maximizing the interest of individual parts of the whole based on trade-off logic and quantitative criteria makes organizations, the key intermediate link between individuals and societies, reactive to the new societal challenge ahead, which is created by not having the appropriate alignment lens in a previous stage.

In effect, it could be argued that the instrumental-alignment paradigm underlies the four transitions in the evolutionary paths of the relationship between corporations and society described by Hart (Hart, 2005; cf. Figure 4). In effect, businesses first created pollution driven by “the smell of money” and then reacted by obligation to end-of-the pipe regulations (a similar reasoning applies to the pressure of the consumerist movement before aggressive marketing campaigns by corporations in the US; cf. Kotler, 1998). This created the trade-off illusion paradigm. In a second stage, businesses were driven by the profit motive to seize the opportunity provided by market-based incentives, greening strategies and social marketing. However, “most corporations continued to serve the needs of the wealthy while exploiting the developing world primarily for its abundant resources and cheap labor pool” (Hart, 2005:15; cf. also Oxfam, 2002; 2003). This focus of corporations coupled with the financial liberalization of the 1980s widened the North-South divide, increased income inequality and poverty (Held et al. 1999, Todaro, 2000). Therefore, business were being challenged to move beyond greening in order to serve the more than 4 billion people that live on less than $2 per day (Prahalad, 2005), not only due to social pressures but also economic ones: poverty is growing and it is necessary to reach the bottom of the pyramid in order to sell more. At the same time, globalization fostered the export of the business models, products, and innovations of corporations to the developing world without attending local needs and development, creating a new issue: the lack of consideration of local specificities and needs. Therefore, the next step seems to be becoming indigenous (Hart, 2005).
Figure 4
Transitions based on the Instrumental Alignment Paradigm

Social and economic pressure

Environmentalism
Consumerism
Economic Liberalization
Pro-poor movements
Anti-globalization and peace movements
Next movement?

Trade-off illusion paradigm
Income inequality
Poverty

Environmental degradation / Impulsive purchasing

Pollution
Aggressive Marketing

Pay to reduce negative impact

Beyond Greening
Greening strategies
Social Marketing


Locals unattended
Terrorism
Next issue?

Becoming indigenous
Next Corporate Reaction?
The above-mentioned transitions show that an instrumental paradigm is unable to foresee all the relevant interests that have to be taken into account when formulating new strategies and designing new business models. With few exceptions (cf. Prahalad, 2005; Laszlo, 2005; Hart, 2005), most corporations are guided by profits as the ultimate motive (cf. Solomon, 1992; Ghoshal, 2005) using an instrumental-alignment paradigm in their relationships with both their employees and society. Given the value creating and distributing role of firms, it could be argued that the instrumental-alignment paradigm is at the basis of the current polarization in income distribution, both within firms and within society considered as a whole. In effect, there is both an increase of wealth and a more polarized world. In the last 30 years, the 20% participation of the poorest people in the world GDP has dropped from 2.3% to 1.4%, while the same percentage for the richest people has risen from 70% to 85% (UNDP, 1992). The situation became worse in 1998 when consumption considered: 20% of inhabitants belonging to countries with higher incomes spent 86% of total expenditures in private consumption, meanwhile 20% of the poorest people accounted for 1.3% (UNDP, 1998). Also, the process of wealth distribution within firms follows the same pattern. In effect, while in 1970 the average American CEO earned 35 times more than the least paid worker, by the end of the millennium the proportion was 216 times to one (Thurow, 1999).

This paper argues that a sustainable alignment between personal interests, firm goals, and societal needs has to be based on a different set of assumptions on human motivation, rationality, and relationships (cf. Rocha and Ghoshal, 2006) that consider those alignments as valuable in themselves. In effect, in order go beyond the trade-off embedded in the instrumental paradigm, it is necessary to have motives that consider both self and others’ interests as ends in themselves, a rationality that focuses on a part-whole logic rather than a means-end one, and a resulting pattern of relationships that go beyond social dilemmas in order to create and share value. This set of assumptions is provided by the intrinsic-alignment paradigm, which is based on the assumptions of excellence and practical or part-whole rationality at both the individual and firm levels. These assumptions make the alignment between different interests valuable in itself, which explain why this paradigm is called intrinsic alignment.
Personal interests, firm goals, and societal needs under the intrinsic alignment paradigm

This paradigm assumes that the ultimate motivation of individuals is not self-interest but self-love, defined as the inclination of human beings to strive for their own good and perfection. In this paradigm, both self-interest and others’ interests are taken into account as ends and therefore are not assumed to be object of trade-offs.

Two basic human motives allow the reconciliation of self-interest and others’ interests outside trade-off logic: duty and excellence (cf. Figure 1). This paper develops the intrinsic connection between interests at different levels based on the Aristotelian concept of excellencevii. Support for the potential of Aristotelian excellence as an alternative assumption to self-interest as a basis for cooperation is to be found in recent work in ethics (Solomon, 1992), economics (Sen, 1990; 1997) and management (Cameron, Dutton and Quinn, 2003).

Aristotle argued that the basic human tendency is toward good (1984, Book I, 1). Striving for good can be understood in different ways: looking for pleasure, wealth, honour, or excellence (1984b, Book I, 4). However, he argues that the greatest of all the goods developing excellences (1984b, Book I, 5) because it contributes to the development of what is specifically human. Happiness occurs when human beings develop his excellences (1984b, Book, I, 13; Book X, 6-7). Given the individual and social nature of human beings (1984b, Book 7), excellence is beneficial to both the individuals who possess it and those who are impacted by them (Rocha and Ghoshal, 2006).

Excellence, which results from intelligent and voluntary efforts rather than nature (1984b, Book II, 1), is a habit that fosters the development of human potentialities. In other words, an excellence is formed by voluntary acts rather than determined by genes and reinforces or empowers the basic human capabilities to achieve their potential or tendency to their specific goods. Excellence guides human potentialities toward their fulfilment, empowering human capabilities according to what is specifically human: intelligence and will. Good is related to what is according to nature: that which is good expands human capabilities. Striving for
excellence does not mean a lineal and continues progress; this would assume that people have infinite wisdom. On the contrary, and in line with Nobel Laureates such as Simon and Kahneman, it assumes that we are imperfect. This imperfection together with human potential for developing excellences through voluntary efforts is at the cornerstone of human flourishing, which occurs not only when people make decisions that are coherent with their human potential but mainly when they make mistakes and learn from them.

As for the nature and goal of firms, these are viewed as cooperative systems for the creation and distribution of wealth (cf. Barnard, 1938; Selznick, 1957; Drucker, 1989; Post et al. 2002). The concept of firm wealth captures both the output and capability dimensions. In effect, firm wealth is the “capacity of an organisation to create benefits for any and all of its stakeholders over the long run” (Post et al. 2002:45). This definition includes as beneficiaries not only the stockholders but also any individual and constituency that contributes to the wealth-creating capacity of the firm. Therefore, both traditional performance indicators and firm linkages to its main stakeholders constitute the indicators of firm development and growth (Rocha, 2006).

This concept of wealth creation and distribution is rooted in Aristotle’s ideas on wealth acquisition. In effect, according to Aristotle, there are two types of wealth acquisition: the unnecessary and the necessary. The unnecessary is characterized by being an activity that searches for wealth as a goal in itself. On the contrary, the necessary acquisition searches for wealth as far as it is an indispensable means to lead an honest life. That is why appears to be necessary the existence of a limit to accumulation of wealth, even though we see that happens exactly the opposite in the practice, because all men devoted to obtain wealth try to increase their money up to unlimited quantities (Aristotle, 1984).

Finally, at the societal level, the intrinsic paradigm assumes that the ultimate ends of society are human and socio-economic development. It assumes that there is a distinction between growth and development: development is capacity enhancement while growth is increase in outputs (Rocha, 2004a). A shortcoming of the instrumental paradigm is that it not only focus on growth but also on just the economic side of development and growth, without
considering the intrinsic connection between the economic, socio-institutional, natural, and human dimensions (Figure 5).

**Figure 5**

*Intrinsic Alignment Paradigm - Development and Growth*

In effect, economic development, defined as enhancing the factors of productive capacity of an economy and measured in terms of productivity growth, also includes economic organisation such as market structure and industrial organisation and economic environment such as macroeconomic variables. Socio-institutional development is the enhancement of the socio-institutional environment –i.e. rules governing social decision-making, distribution of capabilities and of income-, organisation –i.e. structure of networks or relationships-, and capabilities –i.e. quality of networks or relationships (Rocha, 2006). Finally, human development is defined as “the expansion of human freedom to live the kind of lives that people have reason to value” (Sen, 1997:21). This freedom is achieved by the expansion of people capabilities (Sen,
1990; 1997). Sen has made major contributions to this conceptualisation of development. Based on Sen’s work, the United Nations elaborated the human development index (HDI) as a measure of development, which is an average of three indicators: income per capita, literacy rate, and life expectancy (UNDP, 1992). Sen’s capability approach to development is rooted in the Aristotelian idea of human excellence, because excellence is a habit that fosters the development of human potentialities (Rocha and Ghoshal, 2006). Sen’s conceptualisation of development is also based on the classical idea of development as unfolding what is immanent and already within (Hodgson, 1993:37) or transiting the way from actual to potential while preserving identity (Cowen and Shenton, 1996:444).

**Intrinsic Alignment**

The intrinsic-alignment paradigm is based on the assumptions of excellence and practical or part-whole rationality at both the individual and firm levels. These assumptions make the alignment between different interests valuable in itself, which sets the basis for a sustainable alignment between personal interests, firm goals, and societal needs.

In effect, the motivational assumption of excellence includes both spiritual and material goods and considers both self-interest and others’ interests as ends. This perspective allows for a far wider range of objectives than those of the instrumental paradigm, which assumes that individuals align their interests as a means to maximise their own gain. In doing so, they are assumed to be seeking pleasure, wealth, power and/or material goods, which are regarded as primary goals. By contrast, for Aristotle, human intentionality is based on a striving for excellence, an aspiration that integrates material goods, sentiments and duty. Given that others’ interests are considered as ends, the alignment of interests has value in itself, because this alignment is part of the motivational structure of individuals.

The integration of different interests guided by excellence is done using a practical or part-whole rationality approach (Rocha and Ghoshal, 2006). Practical rationality can be traced back to the Aristotelian concept of practical wisdom (Aristotle, 1984 Book II, 1; VI, 5; cf. García Sánchez, 2004), which stresses the idea of holism (Solomon, 1992) or part – whole relation. In
effect, practical rationality focuses on different ends while instrumental rationality aims at connecting an action with an external end (Aristotle, 1984, Book VI, 5). Contrary to instrumental rationality, which allows the separation between given ends and the means to achieve them, practical rationality requires that each part be present to get the whole (García Sánchez, 2004). Therefore, practical rationality is concerned with how different ends are connected and evaluated rather than with how different means are selected for maximising an assumed end.

Assuming excellence-based behavior and practical rationality allows an alignment between personal interests and firm’s goals using extrinsic, intrinsic, and transitive incentives. Studies about human motives have evolved from the idea of homo-economicus moved by only extrinsic motives to that of human beings moved also by intrinsic motivations (McGregor, 1966; Perez Lopez, 1993; Llano, 1997; Frey, 1997; cf. Carrera and Rocha, 1998). Later, Perez López developed his motivational theory, adding a third dimension: the transcendent motives (Perez López, 1993), also called transitive motives (Llano, 1997: 197).

Therefore, a manager has three interconnected levels of motives in order to align personal interests and firm goals (cf. Perez Lopez, 1993):

- extrinsic motives: forces that push an individual to perform an action moved by compensations (or punishments) linked to the execution of the action. The ultimate goal is not the fulfilment of the action, but the compensations that the individual expects to achieve in exchange for the fulfilment of that action.

- intrinsic motives: forces that move an individual to perform an action due to the satisfaction he expects by the fact of being the agent or performer of that action. The ultimate goals are the learning consequences on the individual’s that will follow from being the executor of the action.

- transcendent motives: forces that led people to act due the usefulness of their actions for other individuals. The distinctive factor of this motive is that it considers as part of personal development the impact that the action has on the results, capabilities, or attitudes of a third party.
The intrinsic-alignment between personal interests and firm goals in the relationship between the firm and its employees can be applied to areas such as job design, selection, reward systems, training, and promotion processes as it was documented elsewhere (Miles et al. 2005; Nahapiet et al. 2005). For example, the intrinsic alignment paradigm states that both opportunistic and excellent behaviours come more from education than from nature. Therefore, control and reward systems play a key role in redirecting competitive energy towards a more synergistic alignment between personal interests and firm goals that than proposed by theories based on only extrinsic motives. For example, as for control systems, protocol building –i.e. voluntary agreed-on behaviours rather than hierarchically imposed procedures- can support delegation processes and improve local control by giving organisational units the assurance that they will not be subject to hierarchical intervention (Miles et al. 2005). As for reward systems, an excellence-based view implies designing them for self-control, intrinsic and transcendental motivation (cf. Perez Lopez, 1993). For example, having competitive salaries and benefits based on partnership coupled with showing the impact of personal actions on others removes much of the concern for current needs (Miles et. 2005) and creates the conditions for re-directing motivations and behaviours towards the contribution of rather than the retribution from personal action. The key point is to have the conviction that individuals are not just extrinsically motivated to cooperate. In fact, rewarding cooperation may actually shift the axis of cooperation to a transactional exchange and in so doing remove the element of individual giving that is so crucial to cooperation (Wuthnow, 1991). Once incentives are introduced, participants are inclined to calculate the value of their contribution, and the incentive for sharing is diminished (cf. Miles et al. 2005).

It is argued that a sustainable alignment between personal interests and firm goals can only be achieved when transitive motives are part of the motivational structure of individuals and firms. The reason is that these motives take into account the legitimate interest of the other party as ends within the motivational structure of the decisor using a part-whole logic, which make the alignment valuable in itself.

The same reasoning can be applied to the alignment between the goals of the firm and the needs of society. In effect, the intrinsic-alignment at this level is done through both the market
mechanisms and managerial action based on the contribution of firms to society. For example, multinational corporations (MNCs) moved by self-interest might see developing countries solely as a source of cheap labour and therefore, they would outsource production and minimise costs of working conditions, all this resulting in the maximisation of profits in the short run. Therefore, the performance of activities in the developing country will be guided by a profit-maximisation rather than by a local development logic. This instrumental-alignment could be inferred from the blue jeans industry in Torreon, Mexico (Bair and Gereffi, 2001) and the sportswear industry in countries such as Indonesia, Viet Nam, and the Philippines (Oxfam, 2002; 2003). Alternatively, MNCs that are moved by excellence are more likely to see developing countries as entities that include different stakeholders who contribute to the value-creation process and whose legitimate interests are intrinsic to the very nature of businesses. Their practices would tend to develop the local base, creating links with local suppliers and training local employees, and their outcomes would tend to balance the benefit received by different stakeholders. This relationship between motivation, behaviour, and outcomes based on excellence could be inferred from the software and microelectronic industry in Costa Rica (Oxfam, 2002) and in some MNCs in the consumer goods industry in India and Latin America (cf. Prahalad and Hammond, 2002; Prahalad and Hart, 2002). Many other examples from which an excellence-based cooperation approach could be inferred at the inter-organisational level are the Linux development community and the network created by Finnish information technology firms (cf. Miles et al. 2005). In particular, the good habits such as mutual identification of interests, attention to the intrinsic value of relationships, information sharing, long-term commitment, equitable rewards, and taking pleasure in acknowledging other’s ideas that were found in those multiple firm networks are different manifestations of excellences.

The previous examples at the firm and societal levels show that if an intrinsic alignment would had been the norm for corporations, the issues of poverty, inequality, and local underdevelopment caused by corporate action depicted in Figure 4 would not happen. Even more, an intrinsic-alignment paradigm would have been the underlying cause of making more people out of poverty, a more balanced distribution of wealth, and local development, as shown by the examples provided above.
Summing up, the intrinsic-alignment paradigm is based on the assumptions of excellence as the basic human motive, practical rationality as the logic for integrating different interests, and intrinsic cooperation as the resulting pattern of relationships. Acknowledging that people do make trade-offs and substitutions, the intrinsic-alignment paradigm assumes that the most important feature of human nature is seeking good and perfection evaluating intrinsically non-substitutable goods aided by self-scrutiny and freedom. This set of assumptions allows for a sustainable alignment between personal interests, firm goals, and societal needs, because makes these alignments valuable in themselves.

CONCLUSIONS AND IMPLICATIONS FOR ACADEMICS, MANAGERS, AND POLICY MAKERS

This paper presents three proposals for aligning personal motives, firm’s goals and societal needs. Starting by revisiting the “great trade-off illusion” dichotomy –that is, the belief that firms must sacrifice financial performance to meet societal obligations (Hart, 2005:6), this paper builds alternative proposals for a sustainable alignment between personal interests, firm goals, and societal needs. Prominent scholars are calling for more management research on the integration between economic and social objectives (cf. Walsh, Weber, and Margolis, 2003; Prahalad, 2005; Hart, 2005; Ghoshal, 2005) and this paper aims at contributing to this call by proposing alternative alignment paradigms for the integration of interest between the personal, firm, and societal levels.

The basic research question of this paper is: How personal interests, firm goals, and societal needs can be aligned? In order to answer this question, this paper develops the argument in four sequential steps. Firstly, it states that making explicit the assumptions on human nature, human relationships, firm goals and societal needs of the dominant paradigm is the starting point for building models and making prescriptions for a sustainable alignment. Secondly, after making explicit the assumptions of the dominant trade-off illusion dichotomy, this paper shows that this paradigm does not allow a beneficial alignment between personal interest, firm goals, and societal needs given its restrictive assumptions of narrow self-interest and profit.
maximization. This individualistic view of people and firms leads to considering alignments and social relations as a burden. Thirdly, in order to overcome the trade-off illusion paradigm, this paper develops an “instrumental alignment” paradigm. However, given its restrictive assumptions of enlightened self-interest, profit maximization, and societal material well-being, and a conflict between individual and collective rationalities, this paradigm has an inherent trade-off logic that make alignments not sustainable: they are just instrumental to personal, firm, or societal ends. Finally, in order to overcome the limitations of the instrumental-alignment logic, this paper proposes an “intrinsic alignment” paradigm based on the assumptions of excellence and practical or part-whole rationality. In this paradigm, both self-interest and others´ interests are taken into account as ends in themselves and therefore are not assumed to be object of trade-offs. Therefore, this paradigm allows a sustainable alignment between personal interests, firm goals, and societal needs because the alignment of interests has value in itself.

**Figure 6**

Assumptions, practices, and outcomes under the three different paradigms
Figures 6 summarise the previous argument and, given the impact of assumptions on management practices and outcomes, frames the contributions of this paper using a see-do-get framework. The contributions of this paper are threefold. Firstly, it contributes to the call for a management philosophy that integrates social and economic objectives (Walsh, Weber, and Margolis, 2003:876), embracing a complementary articulation (Smelser and Swedberg, 1994) or a scholarship of integration (Boyer, 1990) approach to theory building. This integration starts at the level of assumptions, showing a richer vision of human nature, firm goals, societal needs and their integration. In particular, excellence and practical rationality are two key human potentialities that allow the harmonization of different motives and interests, because the former considers both self-interest and others’ interests as ends and the latter applies a part-whole rather than a end-means or trade-off logic (cf. Rocha and Ghoshal, 2006). The intrinsic-alignment paradigm provides a more complete picture for the transforming of intellectual frameworks and attitudes of current and future policy and business leaders.
Secondly, this integration is not limited to a richer description of assumptions, because assumptions impact on managerial and policy practice. In fact, given that the assumptions embodied in both theories and practitioners’ mental models and attitudes have the potential to change the very behaviour they assume (cf. Ghoshal and Moran, 1996; Ferraro et al. 2005), it is argued that a more realistic and integrated vision of assumptions on personal interests, firm goals, societal needs and their alignment provides better explanations and offer more responsible prescriptions. For example, Prahalad has shown how assumptions of policymakers and NGOs on the private sector and how assumptions of managers on the BOP segment restrict a partnership between these stakeholders to formulate market-based strategies for eradicating poverty (cf. Prahalad, 2005:6; 99).

More specifically, different assumptions on human motives lead to different theories and practices that condition the development of those motives. For example, at the firm level, a theory prescribing outcome-based contracts could promote human potential to behave in a self-interested way while a theory prescribing purpose-based incentives might foster human potential to behave in an excellence-based way. As another example, Rabin (1993) shows that people’s concern for fairness is reduced when monetary pay-offs dominate behaviour. This finding can be interpreted in at least two different ways: first, all rational people have their price and are willing to trade-off everything (self-interest dominates behaviour; Jensen and Mecking, 1994). In this case, no concern for fairness would be expected if the pay-off is high enough. Alternatively, people’s concern for fairness is crowded-out by external incentives, but no-price, regardless how high, could completely extinguish the concern for fairness of at least some people. In this case, a result opposite to that shown by Rabin may be expected when an incentive structure targeting fairness is put in place (cf. Kollock, 1998; Frey and Jegen, 2001). At the policy level, assuming narrow self-interest would prescribe command and control policies while assuming excellence and practical rationality would foster policies aiming at creating the climate rather than controlling the weather” (Drucker, 1989:168), fostering both the development of excellences and of sustainable alignments between people, business, and society. In short, business and public policies based on different behavioural assumptions are likely to foster the very behaviour that those policies assume.
Thirdly, at the level of outcomes, this paper shows the expected outcomes under the three analysed paradigms. In particular, the intrinsic alignment paradigm allows considering real goods such as healthy environments, human and local development, and peace (Figure 4) as ends rather than means subject to trade-offs, which increases the probability of making those goods a reality rather than an issue to be solved by the next corporate reaction.

By revisiting the trade-off illusion dichotomy, proposing alternative alignment paradigms, and making explicit the assumptions underlying these paradigms, this paper provides the conditions for a richer vision of reality and more informed managers and policymakers. Richer knowledge, in turn, results in more freedom to design organisational and societal contexts than those resulting from theories based on restrictive and incomplete assumptions on the alignment between personal interests, firm goals, and societal needs. It is hoped that knowing a richer set of assumptions and acknowledging the role of theory in modifying concrete behaviours will encourage dialogue among academics and practitioners to develop richer theoretical frameworks and prescriptions for creating better organisations and societies.
References


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As it will be analysed in the following sections, self-love is a natural tendency shared by all human beings. Self-love has to be distinguished from selfishness, which is a special kind of self-love, and narcissism, which is psychological pathology.
Note that this definition of pleasure is broader than the hedonistic definition provided by the old utilitarians. For a discussion, see Hausman and McPherson (1993).

As Adam Smith pointed out, “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices” (1999: Book I.x.2).

When a person is moved by her own pleasure, altruism is not possible, because it reduces rather than increases the welfare of the doer of the action. When the action is done for the praise of others, therefore others’ interest is considered as means, which results in enlightened self-interest (cell 2).

In effect, they assert that “[like] it or not, individuals are willing to sacrifice a little of almost anything we care to name, even reputation or morality, for a sufficiently large quantity of other desired things, and these things do not have to be money or even material goods” (1994:7).

Note that this assertion relates to human nature. In effect, it attempts to be descriptive of human behaviour in general, although Jensen corrects his views in a companion article, arguing that his model is more prescriptive than descriptive (Jensen, 1994:7). Jensen and Meckling quote also relates to the interaction of different motives rather than to the way individuals advance a given motive. For example, if an individual is concerned with the well being of her daughters, she will consider the associated cost in deciding how much of her resources she will devote to make them better off. The motive is given and informs the whole decision process; then, it is a matter of evaluating how much of those resources she will invest to advance that motive, which is related to instrumental rationality or the relationship between means and a given end. A different issue is to evaluate which end should be given priority: the well being of her daughters or a higher personal consumption. This latter issue is at the heart of Jensen and Meckling’s assertion, given that different ends (i.e. the duty of looking after the well being of a daughter and the pleasure derived of a higher consumption of goods) are evaluated as if they were substitutable commodities.

See Jensen and Meckling (1994), who argue that individuals always make trade-offs and substitutions, even of preferences such as morality.

For a model based on the concept of duty as a basic human motive, see Etzioni (1988). Duty as an alternative basic motive within the framework presented in Figure 1 is discussed in Rocha and Ghoshal (2006).

I thank Antonio Argandoña for making me aware of the assumption of infinite wisdom.

There is a renewed concern in economics for practical rationality. For a review of the literature, see Crespo (2006).