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Darwiportunism: Fairness between Darwinistic Companies and Opportunistic Employees?

Nr. 113       June 2013


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Abstract

Our modern working life is a real challenge, addressing questions both about fairness and competitiveness. In order to get some insides into that dilemma, this paper follows a framework developed some 15 years ago and tries to find out, what modern management really can learn today from Charles Darwin. In doing so, collective Darwinism will be combined with individual opportunism, which results in the concept of Darwiportunism as first step towards psychological contracts. Darwiportunism helps to understand recent economic developments, not only on a global scale, but also within the company. The combination of Darwinism and opportunism leads to four different psychological contracts, which are based on specific theoretical and empirical foundations. At the end this article tries to give a tentative answer to a simple sounding question: Does self-interest always lead to immoral behaviour or are there other alternatives?

Keywords: Opportunism, Darwinism, Darwiportunism, Psychological Contract, Fairness
Looking for a Way to Understand Reality

Martin Winterkorn, CEO of Volkswagen, received a salary of 14 Million Euros for 2012; according to his contract, he could have gotten even more then the 17 Million Euros from the year before, but he agreed to the lower compensation (Ritter 2013; Scholz 2013a). Following that case, the HANDELSBLATT wrote (Steingart 2013): “These are the stories which make us look positively in the future. In Wolfsburg we see with Martin Winterkorn that ethical compass, which seems to have disappeared in New York, London, and sometimes even in Frankfurt”.

Wilfried Poth, the Chief HR Officer of Daimler, really came into trouble, when it was discovered, that in his car factory three groups of people basically did the same work (Otte, 2013; Scholz 2013b): Regular workers employees by Daimler for around 3.600 Euro a month (“reguläre Arbeitnehmer”), workers which come from an temporary work agency as temporary workers (“Leiharbeitnehmer”; around 2.400 Euro a month) and those employed by an external company which fulfil work contracts (“Werkvertragsarbeitnehmer”, around 1.200 Euro a month); admitting that there could have been same minor technical incorrectness, Wilfried Poth claimed, that such as differentiation is necessary for Daimler to survive the global competitions.

Uli Hoeness, the head of the German Soccer Club Bavaria Munich, is facing charges for alleged tax evasion and if convicted, could face a jail term; he was speculation in Switzerland with money he got from the head of Adidas Robert Louis-Dreyfus shortly before Adidas was allowed to buy in equity in Bavaria Munich – leaving Nike outside of the stadium (Leyendecker/Ott 2013): Following the case, Bayern Munich’s supervisory board declared in a statement that it had voted unanimously that Uli Hoeness should stay as chairman of the board and club president.

How are these cases of self-interest to be judged from the standpoint of the employees and the organisation? Or from the moral and ethical standpoint? And of course from a legal perspective?

At the same time we have to consider that in Germany about 3 million people are without jobs and always more people are on part-time work or on contract work. And we do not only get an increasing economic split between “the very rich” and “the others”, but also a mental one: A recent study by Hartmann (2013) showed that those
in power do not even understand the concept of social injustice. On the other side, “the others” become increasingly sceptical towards the people on top of the society.

At the workplace, these developments result in a low level of loyalty, low engagement, and low commitment combined with increasing pressure by top-down performance control systems. According to Gallup (2013), 85% of the employees have no or just a low engagement to their companies. All this is not just restricted to companies, since even public services such as universities change into the same direction: Where we once had academic freedom combined with a medium salary, we now have hierarchical pressure, systematic insecurity and low salary. If we would then move on to the financial and economic crises, to the roles of politicians and bankers, to the reduction of critical journalism, we might get a strange feeling about today’s society, in which selfish behaviour and self-interest are dominating rules of the game.

Tackling this complex issue from the academic perspective, we have to explain underlying theories and conceptual frameworks. For a researcher, the start is not the question of “right or wrong?”. It is the question of “why?”. We have to understand the system as well as the underlying logic, and then later to think about the consequences. In this particular setting of perceived unfairness in society and economy, we have to focus on self-interest, have to understand how it works, have to search for complementary concepts, and eventually even have to answer the question “Why do we believe in self-interest?” and – even more radical – “Why should we believe in self-interest?”. Usually, these kinds of questions are discussed in the philosophical context, putting “economics” as the rule of money on one side and “ethics” on the other side.

But what would management theory tell us? Management theory both deals with organisations such as companies and with individuals within organisations. Therefore it has somehow to integrate the economic and the ethical perspective. In doing so, we have to explain human behaviour in a pure descriptive way, which is basically done within the theory of organisational behaviour. Then we have to discuss in a prescriptive way the conclusions both for companies and for the individuals.
Creating a Framework: Putting Darwinism and Opportunism Together

Darwinism: The System is What Counts

For our analysis, there is one specific aspect, which is both controversial and typical for management theory: This aspect is derived from the world of Charles Darwin. He became famous for his theory of evolution, which looked basically at the logic of variation, selection, and retention. One cornerstone in his theory of evolution is the idea of selection, which gives only the fittest a chance to survive. At the end, not the strong will survive, but those species that adapt best to the always-changing environment. These species have a better chance to include their specific characteristics in the gene pool of the population and keep up the progress of evolution.

Many publications, both from academic perspective and from the practitioners’ perspective, deal explicitly and implicitly on the one hand with the growing interest in Darwinism as a paradigm for organisational behaviour, and on the other hand with the increasing relevance of Darwinism in markets, corporate cultures, and the society as a whole (e.g. Nicholson/White 2006). In that context, Charles Darwin is father of an unwanted child that is known as “Social Darwinism”, which is the application of his theory of evolution to human society. According to that belief, also individuals, groups, and in particular races are subject to the logic of natural selection. Charles Darwin feared this connection and wrote about it in the sixth edition of his "Origins of Species" (1872). However, even today we still run into the problem of having a negative connotation of Darwin’s work and see Darwinism as a mechanism that favours the strong, healthy, bright, and rich people and that turns the socially weak person into a born looser.

Opportunism: The Individual is What Counts

Another logic is the concept of opportunism. This is usually understood as the practice of taking advantage of given circumstances regardless of the consequences for others. Opportunistic people do not intend to harm other people. However, they do not really care, if others are suffering negative consequences from opportunistic activities.
The idea of opportunism can be traced back to the original work of Simon (1957), in which he described the members of an organisation as basically honest, but being restricted by bounded rationality and a behaviour, which looks only for satisfying solutions, but not for optimal ones. This makes it hard for them to see the whole pictures and forces them basically to look for their own advantage. In that connotation, opportunism is about same as the unplanned negative consequence of self-interest in a world of bounded rationality.

Becoming even more precise, it makes sense to extend the definition of opportunism in a way that Williamson (1979, 234) suggested: “Opportunism is a variety of self-interest seeking but extends simple self-interest seeking to include self-interest seeking with guile”.

Williamson (1975) introduced this concept of opportunism as key element in his theory of markets and hierarchies. One of his key behavioural variables that drives his specific transaction cost theory, is the opportunism as self-interest seeking with guile. In doing so, the members of an organisation have a lot of choices, such as withholding or distorting information and shirking or failing to fulfil promises or obligations. It is important, that in the world of Williamson we consider opportunism as neither good nor bad: It is basically a description of individual behaviour with respect to individual strategies to survive and to succeed. The existence of opportunism is therefore one of the reasons why organisations need structures and contracts.

Opportunism means: "Look for your opportunities and exploit them!". Individuals act in order to maximise their own benefits, using their individual strengths to get ahead in the business world. They give priority to their own advancement, even if their goals are not concurrent with the objectives of the company or even if they may harm other people's interests. In consequence, there is no longer the assumption that the company's objectives are the same as the objectives of the employees. Instead of pursuing common interests, individual and egoist needs are met: from maximising one's income to optimising one's career. These individuals are characterised by self-motivation and ambition. If they can get another, better paid job, they will seize this opportunity at once, without regard for loyalty to their current employer.

Therefore, opportunism is not the same as self-interest: Self-interest could also mean to follow the rules of the organisation and not to go for individual opportunities. In that logic, self-interest is the underlying principle of human behaviour, while
opportunism is both a specific attitude and a specific behaviour directed towards an individual advantage.

**Putting Both Together: Darwinism + Opportunism = Darwiportunism**

Accepting the fact that we have at least to some degree Darwinism on the side of the company and opportunism on the side of the employee, and accepting interactions and dependencies between both, we can blend this two concepts and get “Darwiportunism” (Scholz, 1999; 2003). Taking for Darwinism and opportunism just binary alternatives (low vs. high), we get four different combinations as cells in the so called Darwiportunism-matrix (figure 1).

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<thead>
<tr>
<th>Darwinism</th>
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<td>low</td>
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**Figure 1** Darwiportunism-matrix with its four combinations

The first combination\(^1\) ("Good old time") describes the traditional work life. The employees show their loyalty towards the company, the company provides the employees with a feeling of job security. This combination can have both positive and negative consequences. Looking at the positive case, the company will be stabilised. The enterprise and the employees will work together in an atmosphere of harmony without internal competition. Many traditional companies of what has been called the “old economy” worked that way for many successful years. The negative case of the

\(^1\) *In the original work to Darwiportunism (e.g. Scholz, 2003), the term “psychological contract” is used instead of “combination”. However, as it makes sense to differentiate between self-interest and opportunism, this paper suggests as to be explained later, an important difference between “psychological contract” and “combination”.*
"Good old time" is characterised by a stagnation resulting from a lack of internal or external competition.

The second combination ("Kindergarten") is characterised by highly opportunistic behaviour of the employees. They seek to maximise their benefits and chances with little concern for the survival of the company in which they work. This behaviour is typically found in the New Economy. In the positive case, there will be a high level of innovation, but in the negative case, the individual opportunistic behaviour will put the company into a difficult position, characterised by a low capability to survive in competition.

In the third combination ("Feudalism"), the employees accept that the main objective of the company is to survive in competition and that it cannot consider the problems and needs of its employees. The employees know that they must behave in a way decided by the company. The positive case for "Feudalism" is the increased efficiency. There is also some kind of security for the employees, since as long as they comply with the rules, their jobs are basically secure and pay for a more or less decent living. Within the negative case, we see increased absenteeism and a low emotional engagement.

The fourth combination ("Pure Darwiportunism") is characterised by an open communication between the two parties. Both know that the other part will only maximise his utility, but they also know that they only can maximise their utility together. The companies give the employees uncertainty and the employees show disobedience towards the company. Both parties accept this, if, on the one hand, the employees will do a good job as long as they work in the enterprise and if, on the other hand, the employees will receive the desired outcomes. Furthermore, the employees often change their jobs when there is another better paid option that offers more benefits for the individual. Positively, there will be a higher probability for the company to survive in competition, caused by high competition within the company. Negatively, employees will change the company again and again.

Putting Darwinism and opportunism together, we see Darwiportunism as a phenomenon of modern work life. It is composed of the search for individual chances (opportunism) and the collective mechanism of selection (Darwinism). Darwiportunism as a concept assumes that both components influence each other and might even escalate.
Explaining Reality in a Descriptive Way: How Darwiportunism is “Played”

Psychological Contract: What Organisation and Individual Agree Upon

At this point, the concept of psychological contracts become important, being seen as perceptions of the individual and of the organisation concerning the terms of the exchange relationship between individuals and their organisations. The foundation of this concept comes from Schein (1965), who discussed psychological contracts as part of the process, in which an individual joins an organisation. This contract may change over time as the members of the organisation and/or the goals of the organisation change job security, performance requirements, career necessities, compensation systems, work-life-balance, and training developments over time with respect to attitude (on the side of the individual) and availability (on the side of the organisation).

One of the theoretical foundations of the psychological contract is the equity theory (Adams, 1965), which calls for an equilibrium between the perceived input which an individual gives into the organisation and the output the employee receives from the organisation. However, this concept of exchange is based on a concept of fairness, which is contained in cultural norms or just in "common practice". The typical issue is that of an individual who feels dissatisfied with the given compensation, but does not sense an obligation on the side of the employer to give a raise.

Therefore, we have a clear picture of what a psychological contract is: “The term psychological contract refers to an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations. “ (Rousseau, 1989, 123).

However, we also know that a huge variety of psychological contracts exists even for apparently identical situations. This is due to the fact, that the concept of psychological contracts is based upon norms and values of culture and society. For instance, Rousseau and Schalk (2000) showed impressive differences in the psychological contracts across various societies.
Attention: Not Every Combination is a Psychological Contract

At this point we should focus on an important distinction: Even though we automatically see the four combinations from the Darwiportunism-matrix as being psychological contracts, this is definitely not always the case. Only a consensual combination to be played in the Darwiportunism-matrix, where both the company as the system and the employee as the individual agree upon and see it as a prime alternative, is a psychological contract.

In general, all four combinations of the Darwiportunism-matrix could be psychological contracts. For instance, the company is a call centre and runs in a feudalistic way. The employees accept that and do not seek opportunistically their individual optimisation options outside of regular system. In that case, the employees do have other opportunities, but they are not going to take them, because they believe in the idea of being follower in the feudalistic system. To make it even more drastic: These employees believe that “Feudalism” is really good for them. Therefore, they do not act opportunistically in the way defined before. However, they are still following their self-interest by choosing just to follow that feudalistic combination.

Figure 2 brings together the combinations as they are sought by the company and by the employee. In four of the sixteen constellations, the players’ interests match: Only in these cases a psychological contract may exist – if both sides additionally agree upon the content. In all other 12 cases, there is no psychological contract.
But what happens within the twelve remaining constellations, in which the combination sought by the company does not match the one sought by the employee? Basically, in a static world, two behavioural rules can be observed:

Rule # 1 solves the conflict of interests by taking the preferred combination of the player who is more powerful. Power can be derived from various sources, such as labour law, shortage of labour, and regional monopolies on the labour market. If in constellation (6) the company wants to play “Feudalism” and the more powerful employee wants to play “Kindergarten”, in this constellation “Kindergarten” will be played, even though the company does not do it voluntarily. This has been for instance the case in the New Economy, when the companies badly needed employees with IT skills, while not enough good talents could be found on the labour market. Following this rule, both employees and companies could get forced into all twelve combinations.

Rule # 2 ascribes the power necessary to define the constellation to those who play in an opportunistic way. It is assumed that the more opportunistic partner is not only able to trick but also willing to do so. Therefore, the company “wins” in regard to the constellations (1), (3), (9), (11), the employee wins in regard to the constellations (6), (8), (14), (16). No solution of the conflicting interests will be found in constellations (2) and (12). This rule # 2 only becomes effective, if rule # 1 does not lead to a solution.
The fact that a specific combination does not in any case constitute a psychological contract, combined with the self-interest of the company as well as of the employee, leads to a dynamic model. Similar to game theory, it implies certain moves by certain players, until a stable constellation is reached. Figure 3 gives one example for that (bottom left): At the beginning, (1) both the company (C) and the employee (E) prefer the combination “Good old time”, which by that becomes a psychological contract (S1), agreed upon by both of them. Then, (2) the employee acts in an opportunistic way and calls for “Kindergarten”. As long as the employee has the power to dictate the situation (S2), it becomes the factual constellation, but not the psychological contract, since the company that has to give in is still against it. The company reacts by taking the long road through labour law (3), which eventually (4) leads to the combination “Pure Darwiportunism”. If both sides accept that, a new psychological contract is formed, in which now both sides play openly in an opportunistic way. However, this is only one potential outcome: In principle, the moves could also end in “Feudalism”, if the employee accepts the regrown power of the company, or in “Kindergarten”.
Figure 3 Examples for the dynamics of Darwiportunism

**Implication: Where Does it End?**

Even though we usually have more than just one type of psychological contract in the company, there is – at least with the experience of the current financial and economic global crisis – a tendency toward “Pure Darwiportunism”. For some (e.g. Nida-Rümelin 2005, 6) this raises the question of ethics and sustainability, since this dominance of short-term optimisation reduces economic sustainability and upsets the social balance by letting the rich become richer and the poor poorer.

Keeping in mind that “Pure Darwiportunism” is – regardless of labelling – an existing trend, this discussion boils down to two issues: On the one side, “Pure Darwiportunism” is said to favour short-term decisions. This definitely could be true, even though it might hurt the company in the longer term. Therefore, companies have to think about ways to prevent them from playing “Pure Darwiportunism” in the
wrong way. For that, we currently do not have real solutions, taking into account the weaknesses of most of our current concepts of sustainability. On the other side, “Pure Darwiportunism” leads us into a new business world, where companies have to find solutions, at least in order to attract and to retain talented people.

Ten years ago, the “Pure Darwiportunism” looked most likely to be the dominant pattern: Based on their experiences during the New Economy, companies and employees seem to have learned that the open discussion of self-interests and the consensual forming of a psychological contract which integrates the rent-seeking of both parties could lead to more stable high-performance working relationships. Meanwhile, a new generation (“Gen Z”) consists of younger people who are disappointed about too much pressure toward high-performance and too few fair equivalents by the employers (Scholz, 2012). They understand that in times of radical demographic changes their qualifications are urgently needed by the companies and, therefore, develop a critical attitude toward work and life, career, and the realities of unfairness – a development which in the end seems to favour “Kindergarten” instead of “Pure Darwiportunism”. We could call this a “meta dynamics” for psychological contracts.

**Shaping Reality: How Self-Interest Must Be Part of the Game**

Looking to the three cases mentioned at the beginning of the paper: Considering at the comments workers left to the salary of Martin Winterkorn, it appears (a) that everybody is happy with that since Volkswagen is really successful, resulting in a bonus for each worker as well. Here we have a psychological contract in the combination “Feudalism”. However (b) there are doubts outside of Volkswagen, whether a salary of 14 Million is morally justified. Still (c) is complete legal.

Looking at Wilfried Porth, we get a different story: Here (a), the workers would accept a feudalistic contract, which gives them at least a decent living. Daimler follows its self-interest and offers them a contract in the type “Pure Darwiportunism”, where the workers somehow must find a way to survive; if they like, they may act opportunistic, as long as they do not bother Daimler. Therefore we do not have a psychological contract. (b) From the moral point of view, this behaviour of Wilfred Porth is not acceptable, since these contract workers with their 1.200 Euro have to apply for support (“Hartz IV”) by the federal employment agency, which means, that whole Germany is supporting the production strategy of Daimler. (c) As to the legal
point, there seem to be some technical problems in the way Wilfried Porth handled the case; however, these problems appear to be solvable.

Finally Uli Hoeness: Looking (a) within the “family of Bavaria Munich”, everybody accepts the idea that making money by all means has to be acceptable. Even opportunism is okay. Due to the specific and unchallenged-successful situation of Bavaria Munich, we have within the family the psychological contract “Kindergarten”, which even the board considers a wise choice, since they kept Uli Hoeness in office. (b) As to the moral point, for many in Germany tax evasion is acceptable, which does not make it acceptable as a whole. (c) Even though his self-interest and his opportunism seem to be accepted by Bavaria Munich, the board, and the society, the activities of Uli Hoeness still collide with existing law.

It is evident, that for companies, all three aspects are relevant: Most obvious is (c), since companies should act according to the laws. Most overlooked is (b), since activities against moral cause huge damages to the image of the company – especially in times of looking more into Corporate Social Responsibility. Most important for culture, climate, motivation, engagement, and finally the success of company, is (a), since companies cannot live for long without a psychological contracts.

Dealing with these psychological contracts, the advantage of the Darwiportunism concept lies in a realistic view on the current working world: Nowadays, the employees can no longer enjoy a 100 percent job guarantee. And also the companies do no longer have a guaranteed niche in their market or a guaranteed stock of loyal employees. This can neither be ignored nor neglected nor reversed: Therefore, companies as well as employees have to arrange themselves with that new situation.

Modern working world does not mean that “hire and fire” of the companies or “sign and leave” of the employees should be the normal situation. On the contrary, it means that new behavioural rules have to be defined, which improve the range of action of the companies and of the employees, regardless how strong the outside market competition is.

It is based on a clear communication of the behavioural intentions: Companies and employees must accept their opportunism and their Darwinism. “To accept” does mean for a company not to feel insulted when employees decide to leave and to follow different objectives but to see this as a part of the same game in which they also pursue their self-interests. There is still a difference to ultimate tolerance: If an employee refuses to do his work or works less than he should or could, this special
kind of opportunism has not to be tolerated by the company. Companies can and should still try to retain their employees. In particular they can do it by reaching a psychological contract. In doing so, even “Pure Darwiportunism” can be played in a way that is economically successful, socially acceptable, and ecologically sustainable.

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