

From Profit to Purpose: Role of the Third Force in Strategic Management

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ABSTRACT

This research has shown how companies are changing how they make important decisions. Companies are now beginning to focus on employee welfare and well-being (The Third Force) rather than focusing on making money. This study examines how taking care of your employees can directly impact the types of decisions that your company makes, using theories from both psychology and management.

The research examines well-known theories on motivation and employee welfare to create a framework to measure how important employee welfare is to a company. The framework was created using ideas from well-known theorists including Maslow's Hierarchy of Needs, McGregor's Theory Y, and the Resource-Based View. This framework demonstrates that if employers take care of their employees and allow them the freedom to make choices, employees will be more motivated. The end result leads to better business decision-making processes.

The research findings demonstrate that companies are starting to recognize the importance of taking good care of their employees. Companies are not always doing this effectively, which can hinder their ability to make sound business decisions. According to this research study, employee well-being is a tangible and measurable attribute.

Keywords: Humanistic Management, Employee Wellbeing, Strategic Decision-Making, Intrinsic Motivation, Purpose-Driven Strategy, Resource-Based View, Organizational Effectiveness

INTRODUCTION

If one asks any management scholar what 'strategy' is fundamentally about, then the answer would be the one that has remained consistent for decades now, i.e., 'securing competitive advantage and maximising returns for shareholders'. The employees (the force behind an organisation's successes) who make this possible have rarely been featured in that answer.

Since the beginning of time organizations have primarily functioned with profit maximization as their main intent, focusing predominantly on shareholder value as the main measure of success (Milton Friedman, 1970). However, the development of the business environment has led to the shift of attention to a purpose-driven strategy that extends beyond monetary outcomes. Nowadays organisations are anticipated to address societal concerns as well, such as sustainability, ethical responsibility, and stakeholders' well-being (R. Edward Freeman, 1984).

This shift has transformed strategic thinking, where human and psychological dimensions are coming into the spotlight. From organisational psychology, particularly humanistic approaches such as Maslow's hierarchy of needs and Douglas McGregor's theory Y, it is quite evident that employee well-being and

motivation significantly impact organisational effectiveness (Maslow, 1943; McGregor, 1960). Present-day studies support the idea that purpose-driven organisations demonstrate higher employee engagement, hence better long-term performance (Kanter, 2011; Gartenberg et al., 2019).

An organisation that treats its people as means rather than ends is not just ethically incomplete; it is strategically fragile. This argument finds support in organisational research demonstrating that humanistic principles, despite their growing presence in academic discussion, have made little meaningful headway into how strategy is actually practised, with employee dignity, participation, and meaning remaining the exception rather than the rule, far outnumbered by those built around targets, control, and measurable output (Lapina, 2021).

In this context, the concept of the third force has emerged as a critical perspective in strategic management, integrating purpose and people alongside the traditional economic goal. After summing everything up, what appears is not just a gap, it is a tension at the heart of the discipline – between a field that has become highly skilled at telling organisations how to compete and one that has yet to seriously grapple with what it owes to the people who show up every day to make that competition possible.

That reckoning is where the humanistic approach – what scholars have referred to in the literature as the “Third Force” (Maslow, 1968; Rogers, 1961) – has the capacity to address.

REVIEW OF LITERATURE

1. Humanism in Business - Towards a Paradigm Shift? (Pirson & Lawrence, 2010)

According to Pirson & Lawrence, Management theory and practice are facing unprecedented challenges. The lack of sustainability, the increasing inequity, and the continuous decline in societal trust pose a threat to ‘business as usual’ (Jackson and Nelson). Capitalism is at a crossroads, and scholars, practitioners, and policymakers are called to rethink business strategy in light of major external changes (Aren, Hart). In the following, they reviewed an alternative view of human beings that is based on a renewed Darwinian theory developed by Lawrence and Nohria. They labelled this alternative view ‘humanistic’ and drew distinctions to current ‘economistic’ conceptions. They then developed the consequences that this humanistic view has for business organizations, examining business strategy, governance structures, leadership forms, and organizational culture. Afterwards, they outlined the influences of humanism on management in the past and the present, and suggested options for humanism to shape the future of management. In this manner, they contributed to the discussion of alternative management paradigms that help solve the current crises.

2. Towards a Human-Centred Theory and Practice of the Firm (Pirson & von Kimakowitz, 2014)

In this article, Pirson and von Kimakowitz reviewed the challenges to the current economic system and then proceeded by presenting two competing paradigms- the economistic and humanistic paradigms of business. They then developed the consequences of the humanistic view for the theory and practice of the firm with regard to global sustainability. They examined paradigmatic differences regarding business strategy, governance structures, leadership styles, and organizational culture, and illustrated them based on global case examples. In this manner, they contributed to the discussion of alternative theories for global sustainability, centring the debate on authentic human needs and the consequences of such for management theory.

3. Understanding Humanistic Management (Melé, 2016)

In his paper, Melé stated that the Humanistic Approach is a people-oriented management that seeks profit for human ends. It contrasts with other types of management that are essentially oriented toward profits, with people seen as mere resources to serve this goal. This article reviews the historical development of

humanistic management and the ever-increasing body of literature on the concept, as well as the different meanings that scholars attribute to it. It then explores what form a genuine humanism might have by presenting seven propositions labelled as: 1) wholeness, 2) comprehensive knowledge, 3) human dignity, 4) development, 5) common good, 6) transcendence, and 7) stewardship-sustainability. Next, it looks at four characteristics of human ethos for managing business: the view of the individual and human work, the role of the individual in society and in interacting with nature, the business firm, and the purpose of business in society. Finally, it presents some insights for the practice of humanistic management.

4. Humanistic Paradigm in Leadership Practice - A Case Study of a Confucian Entrepreneur (Chou & Cheng, 2020)

Chou and Cheng (2020) examine humanistic leadership through the lens of Confucian philosophy, using a structured-pragmatic-situational case study of a Taiwanese entrepreneur (Mr C). The findings reveal that Confucian humanistic leadership operates through the embodiment of five virtues: Ren (benevolence), Yi (righteousness), li (propriety), Zhi (wisdom), and Xin (trustworthiness) and functions through a trickle-down process: the leader cultivates humanistic agents among employees, who then transmit the humanistic spirit to customers and the broader industry. The paper's principal contribution is demonstrating that humanistic management is not uniquely Western, and that non-Western philosophical traditions contain rich, practically effective resources for context-sensitive humanistic leadership frameworks (Chou & Cheng, 2020).

5. Humanistic Management as the New Human Resource Management Strategy (Lapina, 2021)

According to Lapina, the culture and mission of the company should guide the human resource management strategy when choosing its priorities. The changes taking place in the world have also led to a change in HRM strategy. The restructuring of organizational cultures towards values such as health and safety requires a review of HRM strategies and applied human resource management technologies of personnel management in Russian organizations. The main hypothesis was the assumption that organizations currently use human-oriented HR management technologies more often than technology-oriented ones. The information base of the study was a survey of Russian organizations about the technologies of human resource management they use. Descriptive statistics and mean analysis are used as analysis methods. It was revealed that the use of humanistic management is more typical for managers than for workers in lower positions, for companies focused on the internal environment and engaged in purposeful management of organizational culture. Factor analysis revealed stable combinations of HRM technologies, which confirms the influence of organizational culture on the choice of HRM technologies. At the same time, technology-oriented HRM technologies still dominate in the surveyed organizations. The pandemic led to the fact that some of the technologies were used online, but did not change them to humanistic management.

6. Humanizing Strategy (Nonaka & Takeuchi, 2021)

In this paper, Nonaka and Takeuchi applied their latest thinking about knowledge to provide insights on how to reconceptualise strategy to cope with a VUCA world, epitomised by COVID-19. They demonstrated that business leaders must draw on phronesis, or practical wisdom, for strategy to become more future-oriented, society-focused, dynamic, and human-centric. Using in-depth case studies, they showed how companies could survive in the long run if they start with a moral purpose, and end by providing value to customers, contributing to society, living in harmony with nature, and creating a new and better future.

7. Person-Centred Leadership: The Practical Idea as a Dynamic Principle for Ethical Leadership (Murcio & Scalzo, 2021)

According to Murcio and Scalzo, their study focuses on ethical conceptual frameworks that are applicable to the practical reality of companies. Ethical leadership has recently gained ground in Business Ethics scholarship as a broad umbrella under which to fit both normative and descriptive approaches to management. This article delves into Carlos Llano's seminal studies in the field and his rediscovery of the “practical idea” as a dynamic principle for integrating the practice of management and ethical leadership in light of a realistic personalism. Llano was one of the first authors to study the firm from a humanistic, people-centred perspective as a “community or people,” and his view of practical wisdom is an effort to integrate this intellectual virtue with human will by offering a personalist open dynamism that is at the centre of all relationships at work, allowing those involved to grow therein. Hence, his notion of the practical idea is his most original contribution to the promotion of managerial action as a catalyst for person-centred leadership.

8. The Emerging Concept of the Human-Centred Organization: A Review and Synthesis of the Literature (Townsend & Romme, 2024)

In this paper, Townsend and Romme focused on the idea of the human-centred organization. This term first appeared in the late 1950s and has gained attention in the last ten years. Awareness of the need for human-centeredness grew during the COVID-19 pandemic, in which many organizational leaders were compelled to focus on employee health, safety, and well-being. In this paper, we review and synthesize the rather fragmented scholarly and practitioner literature on human-centered organization (HCO) to develop an integrated definition and framework. The 26 sources reviewed in depth indicate that the HCO construct is primarily utilized in two ways. First, human-centred design scholars and practitioners conceive of HCOs as employing human-centred design practices. The second discourse involves the humanistic management and culture literature, which conceives of HCOs as embodying humanistic values and cultures. After reviewing these separate discourses, we synthesize them in an integrated definition as well as framework of HCO. The framework starts from humanistic values such as dignity, well-being, and justice, which are pivotal in creating organizational practices characterized by a common good purpose, positive human experiences on the job, team structures to coordinate work, and participatory tools and approaches.

9. Reimagining Business and Management as a Force for Good (McPhail et al., 2024)

McPhail et al. (2024) argued that the prevailing narratives that have implicitly informed the understanding of business and management knowledge and practice as good need to be reimagined. They question whether the existing theoretical lenses, along with underlying fundamental assumptions about what constitutes labour, value and its creation, and the nature of assets, liabilities and materiality, act as a barrier to advancing business and management practice as a force for good and explore whether they need to go beyond applying new existing theory to new research questions. Both Agency Theory and Stakeholder Theory have proven ineffective in aligning social and economic interests, while the disciplinary and publishing customs constrain the imagination and impede conceptions of fundamentally new ways of practising business. They explore the need to reimagine business and management; what is the meaning of reimagining business and management, and what it means to be a force for good. They concluded that if the purpose of business needs to be reimagined, business schools will also need to change to be major catalysts in this process.

10. The Human-Centric Enterprise: Leadership, Empathy, and Emotional Intelligence in Business Administration (Chen, 2025)

According to Chen, the future of organizational leadership is moving beyond the traditional transactional and transformational leadership paradigms towards a more humanistic model of leadership that focuses on empathy and emotional intelligence as key competencies in business management. This relationship explores the relationship between transformational leadership based on emotional awareness, interpersonal sensitivity, and empathy and organizational resilience, employee engagement, and long-term competitive advantage. Based on an extensive review of leadership theories, emotional intelligence models, and modern business practices, the study proposes a conceptual model of human oriented leadership principles integrated into the management of the enterprise. Methodologically, the research uses a mixed method approach, with a quantitative online survey of organizational leaders and qualitative case studies from a range of different industry sectors to capture the implications for practicing empathy-driven leadership. Facts and figures support this with a strong correlation between leaders' emotional intelligence and tangible outcomes- such as job satisfaction, innovation potential and organizational performance. In addition, research shows that humanistic leadership creates inclusive cultures where employee well-being supports strategic goals, resulting in sustainable organizational development.

11. Human Relations and Organizational Culture in Strategic Management: A Socio-Humanistic Perspective on McGregor's and Ouchi's Theories (Safi & Aouissi, 2025)

In this paper, Safi and Aouissi (2025) explore the strategic dimensions of human relations and organizational culture through a socio-humanistic lens. It draws on the theoretical contributions of Douglas McGregor's (Theory X and Y) and William Ouchi (Theory Z) to analyse how managerial assumptions about human nature influence leadership styles and organizational dynamics. The study highlights how trust, shared responsibility, and cultural sensitivity serve as essential pillars of effective strategic management. By integrating sociological and organizational insights, this paper argues for a human-centered approach to management that enhances both institutional performance and employee development. The findings emphasize the relevance of these classical theories in addressing contemporary organizational challenges shaped by complexity, cultural diversity, and digital transformation.

OBJECTIVES

Objectives of this paper are the following: -

1. To associate the humanistic approach with organizations.
2. To analyse how an employee's well-being affects strategic decision-making.
3. To critically evaluate existing literature on profit-oriented and purpose-driven strategies.

Hypothesis for this research paper: -

H0 - There is no statistically significant relationship among the humanistic approach, well-being, and strategic decision-making in organizations.

H1 - The humanistic approach is positively associated with organizational practices and contributes to purpose-driven strategies.

H2 - Employee well-being positively influences strategic decision-making within organizations

THEORETICAL FRAMEWORK

In his classic paper, Abraham Maslow outlined the element of an overall theory of motivation. Mainly from humanistic psychology and his experience, he thought that an individual's motivation could be

arranged in a hierarchical manner. He also believed that once a given level of motivation is satisfied it no longer serves as a motivator. The next higher level of need has to be activated to act as a motivator for the individual.

In a very rough manner, Maslow's hierarchy theory can be converted into the content model of work motivation as shown in figure below.

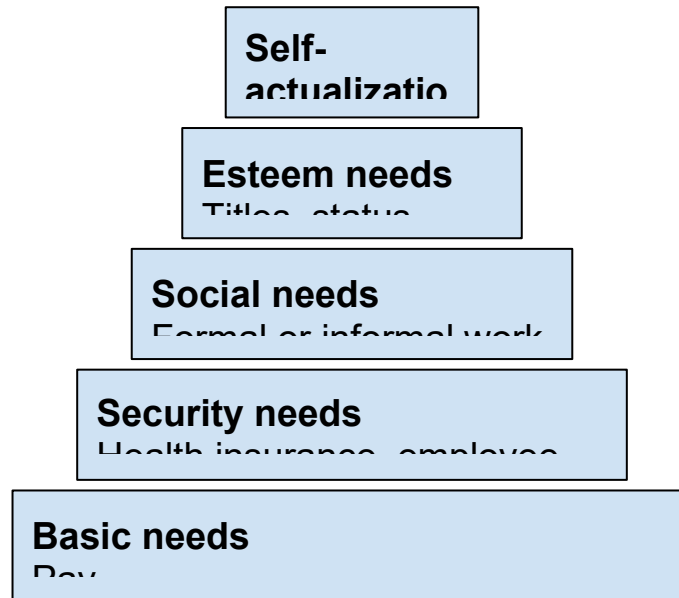


Figure-1: Content model of work motivation.

Maslow's hierarchy of needs provide a foundational framework for understanding employee motivation within an organisation. In strategic management, it enables managers to build a multi level motivation system which not only focuses on economic needs but employees psychological and personal well being (recognition, growth). This model also supports the transition from profit centric models to purpose driven strategies. Where organisations are moving beyond basic employee satisfaction towards fostering meaning, identity and self actualization at work.

While Maslow's theory talks about how an individual reaches his highest potential, it still does not cover how organisational structures and managerial assumptions influence this self actualization.

Y theory by Douglas McGregor, American management theorist and social psychologist introduced in the 1960s in his book “The human side of enterprise”, presents a more humanistic and positive view of workers. Y theory suggests that employees are self motivated, self directed and responsible when placed in a supportive environment.

Theory Y is grounded into humanistic psychology and believes that work can be easy and employees do not inherently dislike and avoid responsibilities. The Theory Y perspective emphasizes decentralization and participation in managerial activities where subordinates can be involved in making decisions and self-regulate themselves. The theory is effective in creating job satisfaction, engagement, and commitment among organizational members (Deci & Ryan, 2000; Gagné & Deci, 2005).

Although Y theory emphasizes supportive management, a deeper understanding of motivation mechanisms is provided by the self-determination theory proposed by Edward Deci and Richard Ryan. This theory identifies autonomy, competence, and relatedness as key psychological needs that drive intrinsic motivation and well-being (Deci & Ryan, 2000). In organizations, meeting these needs has been

connected to higher creativity, persistence, and proactive behavior among employees (Gagné & Deci, 2005). Employees who feel intrinsically motivated are more likely to take initiative. They can handle challenges and engage in innovative problem-solving, which boosts their contribution to organizational processes and outcomes.

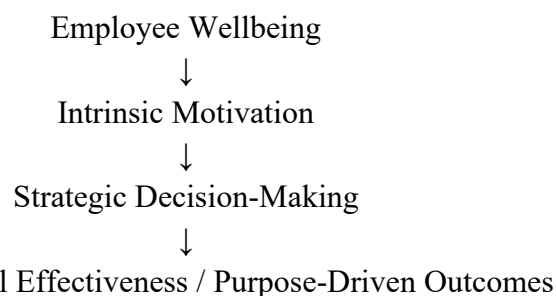
While these psychological theories explain how employee well-being and motivation develop, their importance is clearer through the Resource-Based View (RBV) (Barney, 1991). RBV suggests that organizations gain lasting competitive advantage through valuable, rare, hard-to-copy, and unmatched resources. In this context, employees, especially those who are motivated, skilled, and psychologically fulfilled are a vital resource. Research shows that human capital and employee well-being greatly impact firm performance and competitive advantage (Wright, Dunford, & Snell, 2001).

These perspectives indicate that when organizations create environments that meet psychological needs, empower employees, and encourage intrinsic motivation, they are more likely to improve both individual well-being and overall effectiveness. This framework offers a solid basis for exploring the link between employee well-being and purpose-driven strategic decision-making. It highlights the shift from profit-focused models to more human-centered and sustainable strategies.

VARIABLES OF THE STUDY

Based on the theoretical framework, this study identifies employee wellbeing as the independent variable, strategic decision-making as the dependent variable, and intrinsic motivation as a mediating variable. Employee wellbeing refers to the overall psychological and emotional state of employees. It includes aspects like job satisfaction, personal growth, and fulfilling psychological needs, as explained by humanistic theories. Strategic decision-making represents the organization's ability to make effective, innovative, and purpose-driven decisions that contribute to long-term success. Intrinsic motivation is the internal drive that encourages employees to engage in their work with interest and commitment. It comes from satisfying needs like autonomy, competence, and relatedness. In this context, employee wellbeing is expected to improve intrinsic motivation. This, in turn, affects the quality of strategic decision-making. Thus, intrinsic motivation is a key mechanism through which employee wellbeing leads to better organizational outcomes.

CONCEPTUAL MODEL



The idea here is that employee wellbeing is really important for how a company does in the long run. When employees are happy and taken care of they are more motivated to do their jobs. This motivation comes from inside because they feel like they are doing something that matters.

Companies that care about their employees and treat them well help them feel good about what they do. This happens when employees feel like they are in charge of their work they are good at what they do. They feel connected to their coworkers.

When employees feel this way they can help make decisions for the company. So companies that make sure their employees are happy and healthy are more likely to do and achieve what they set out to do with employee wellbeing and strategic outcomes. Employee wellbeing is important for outcomes.

CONCLUSION

This study examined shifts in strategic management, once fixated on profit alone- now tilting toward meaning and humanity. Human-centric thinking, rooted in psychological insight, quietly reshapes how groups operate from within. Instead of numbers leading every choice, deeper motives begin setting direction. Profits still matter, yet shared values increasingly guide actions behind closed doors. Older models built for shareholders now bend under pressure to serve wider circles. Ethical stance, care for individuals, and social contribution rise without announcement. Decisions unfold differently when inner beliefs outweigh external demands.

Though more leaders talk about leading with care, few act on it consistently. Still stuck in old routines, plenty of companies push results hard while saying they value people. When meetings end and decisions unfold, those values tend to fade fast. That space between words spoken and actions taken? It keeps widening. The real task sits quietly beneath all the noise making decency part of daily operations. Success measured only by numbers misses what matters deeply to workers. Building workplaces where both goals and humans thrive isn't common, despite claims. Truth lives not in mission statements but in choices made when no one watches. Meaning at work grows slowly, fed by fairness, respect, small acts repeated every day. Balance doesn't come from slogans - it forms through steady effort, uneven progress.

People bring dreams to work, not just skills, thinking about Maslow's pyramid shows why. A workplace that ignores personal drive fades fast. McGregor saw trust as fuel; treat workers like thinkers, not cogs. Growth doesn't happen by accident, it follows care. Recognition sparks effort better than pressure ever could. Letting people reach matters, it shapes how deeply they stay. Innovation grows where respect lives. Long wins come from valuing who people really are.

Here's a different path - one where profits meet care, shaped through choices that value people as much as results. Success begins looking less like numbers and more like meaning, connection, because impact matters just as much as income. Moving ahead means leaders act on beliefs, not just plans, since long-term strength grows from consistency between words and actions. Staying important over time comes not from chasing trends but from nurturing trust, one honest decision at a time. Change sticks only when it shows up in routines, not reports, alive in gestures, tones, unspoken norms across hallways and meetings

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