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# The Principled Executive<sup>1</sup>

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When the business leader confronts Catholic social principles, there is often a dual response that is best captured by Andre Delbecq, former dean of Santa Clara's business school: "We seem to have a sense of what we yearn for, but behavioral specificity is thin."<sup>2</sup> Catholic social teaching's principles of human dignity, the common good, solidarity and subsidiarity inspire a deep sense that there is something more to business than merely maximizing wealth for owners. But once this inspiration moves to practice, specifics are hard to locate and yearning turns into vague sentiment.

As important and as rich as the Catholic social tradition is, its principles have not been effectively communicated to the business community. For many businesspeople, the social principles of the church are perceived as well intentioned but too abstract to have any real impact. These principles do not seem to land anywhere, but rather float in the stratosphere of theory. As one CEO said to me not long ago, "How would I know the common good if it bit me?" For the most part, businesspeople have received little help from the church or the academy to move from principle to practice.

This gap is not an easy one to bridge, but the recently released document by the Pontifical Council for Justice and Peace (PCJP) is a move in the right direction. On March 30<sup>th</sup>, Cardinal Peter Turkson, president of the PCJP presented *Vocation of the Business Leader: A Reflection* to 2,000 business leaders at the International Christian Union of Business Executives World Congress in Lyon, France. The document, which I co-

ordinated with Sr. Helen Alford, O.P. and helped draft along with colleagues from around the world, signals an important moment in which the church, drawing from its rich social tradition, all but declared that "God loves businesses" and offered concrete ways to bridge principle and practice.

*Vocation of the Business Leader: A Reflection* takes to heart Pope Benedict XVI's call in *Caritas in Veritate* to "a profoundly new way of understanding the business enterprise." (CIV, 40). Writing in the context of the financial crisis, he explains that the economic world is in need of rediscovering deeply moral and spiritual principles, which will orient it toward better, more effective, more humane business practices. Like all institutions, whether church, government or education, business is in need of renewal and reform. It needs to rethink its purpose, its *telos*, if it is to be contributor to the common good rather than a drain on it.

Catholic social principles help articulate this new understanding. In light of the ongoing financial and cultural crises in which we find ourselves, the need is clear and the opportunity could not be better to bring this set of principles into focus. At the heart of the document is the conviction that business executives are called not just to do business, but to be a particular kind of leader *in* business. The actions of businesspeople are significant because they engrave a specific character on their work communities, one that takes them and others somewhere. Ten years ago, John Kavanaugh, S.J., wrote that "our choices are the prime indicators of our destiny." (Kavanaugh, 2002) Human

work, and in particular the work of business leaders, is not a second-rate vocation, but, as the document states, it is “a genuine human and Christian calling” from God. (VBL, 6) The document sees business not simply in terms of a legal minimalism –“don’t cheat, lie or deceive,” but rather as a vocation that makes “an irreplaceable contribution to the material and even the spiritual well-being of humankind.”(VBL, 2) There is nothing second rate about this.

But this vocation is not without difficult challenges, especially in the modern world. Chief among these difficulties is a divided life, or what Vatican II’s *Gaudium et Spes* describes as “this split between the faith which many profess and their daily lives.” The council saw this split as “one of the more serious errors of our age.”(GS, 43) Religion and family are too often viewed less as components of a social institution than as a private enclave where individuals live out their own private preferences. Business is viewed as a mechanical operation of inputs and outputs that need to be engineered for maximum efficiency. This divided life mutes the social demands of faith and as noted in *Gaudium et Spes*, conceals rather than reveals “the authentic face of God and religion.” (GS, 19)

To see the implications of this vocation, the document is organized along a common divisional structure in the Catholic social tradition: “See, Judge and Act.” Anyone in business “sees” the increasing complexity of doing business. *Vocation of the Business Leader: A Reflection* does not shy away from the serious and complicated trends within business and the moral and spiritual issues they present. While it recognizes a wide variety of challenges and opportunities, it focuses on four: globalization, communication technology, financialization and cultural changes. These trends or signs, the document explains, are “a complicated mix of factors” that present “a complex interplay of light and dark, of good and evil, of truth and falsehood, of opportunities and threats.” (VBL, 15)

For example, the document describes the increasing phenomenon of “financialization,” a fancy academic term that describes

the shift in the capitalist economy from production to finance as the determinant for economic development. In a well-ordered market economy, finance is at the disposal of production, development and wealth creation, allowing productive investments and improvement of human resources. By contrast, “financialization” swaps this relationship and production becomes at the disposal of finance.

Ask any businessperson today and most will tell you that business worldwide has intensified tendencies to commoditize relationships and reduce them to one value –price– the price of a product, the compensation of labor and the monetary value of the company. The mantra in business and increasingly in other areas of life is “if it can’t be measured it does not exist.” And the one clear measurement in business is financial. Without a strong sense of vocation, financialization becomes the default mechanism that moves business from relationships of virtue to the thin thread of price.

At the center of the document is a re-articulation of the church’s social principles for business leaders to “judge” and discern what is good and not so good in business. The document lays out six practical principles in relationship to three essential objectives of business. As mentioned above, *Vocation of the Business Leader: A Reflection* is attempting to overcome the too-often abstract presentation of Catholic social principles and to progressively articulate these six principles in the particular location and context of business. These six principles are also an attempt to help businesspeople to see things whole and not just as parts. Business leaders are tempted to fixate on one principle or area of business over another. One common fixation is on wealth creation and stewardship at the expense of wealth distribution and justice, focusing on shareholders at the expense of the dignity of employees. Wise and just business leaders avoid such dichotomies and seek deeper levels of integration.

The document resists the temptation to draw up a detailed list of policy recommendations and instead provides a

framework of action that reflects the rhythm of the contemplative and active life. In *Caritas in Veritate*, Benedict XVI captures this rhythm in defining charity as “love received and given.” (CIV, 5) The document explains that the first and for some the most difficult “act” is “to receive what God has done for him or her.” A principal challenge for business people is that their “can do” and practical orientation can tempt them to regard “themselves as determining and creating their own principles, not as receiving them.” What is desperately needed for businesspeople is first to receive, and in particular:

(...) to receive the sacraments, to accept the Scriptures, to honour the Sabbath, to pray, to participate in silence and in other disciplines of the spiritual life. These are not optional actions for a Christian, not mere private acts separated and disconnected from business. (VBL, 68)

This can be a powerful shift from the overcharged activism one finds in business. Without a deep well of reflection, contemplation and prayer, it is hard to see how businesspeople, or any other professionals, can resist the negative dimensions that come from financialization, technological overload, hyper-competitive situations and the like.

The second “act” to which the church calls the business leader is giving in a way which responds to what has been received. This giving is never merely the legal minimum; it must be an authentic entry into communion with others to make the world a better place. In particular, the giving of business leaders entails cultivating practices and policies that foster integral human development. These include fair pricing, just compensation, humane job design, responsible environmental practices, socially responsible investment, and so forth. It also requires a prudent application of social principles to hiring, firing, ownership, board governance, employee training, leadership formation, supplier relations and a host of other issues.

*Vocation of the Business Leader: A Reflection* asks much from contemporary business people; it also foresees new challenges for Catholic educators. The document asks Catholic universities and especially their business schools to foster a mission-driven approach to curriculum and research. While Catholic business schools have made helpful contributions in the areas of business ethics and corporate social responsibility, they have not engaged the Catholic social tradition in relation to business thoroughly enough. Instead, they have largely drawn upon ethical traditions such as utilitarianism, Kantianism and other secular systems to understand the role of ethics in business.

In *Caritas in Veritate*, Benedict XVI observes that business ethics severed from a theological anthropology “risks becoming subservient to existing economic and financial systems rather than correcting their dysfunctional aspects” (CIV, 45). It is important for Catholic universities to reconsider their own tradition and discuss it in the context of other approaches; otherwise, the tradition will fail to both develop in a robust manner and contribute to the wider culture.

The Catholic social tradition brings forth a rich interplay of teachings, thought and practice to the area of business and penetrates deeply into the significance of human action. *Vocation of the Business Leader: A Reflection* is a timely response that articulates a coherent set of social principles governing business practice that arise from the Catholic social tradition. The Pontifical Council asks business people to reflect on their vocation, guided by church teaching, with the hope of more fruitful dialogue to come and a meaningful spiritual and practical return on investment from these “Catholic” business principles.

## Sidebar 1

### *Meeting the Needs of the World through the Creation and Development of Goods and Services*

1. Businesses produce goods which are truly good and services which truly serve; that *contributes to the common good*.

2. Businesses maintain *solidarity* with the poor by being alert for opportunities to serve otherwise deprived and underserved populations and people in need.

#### ***Organizing Good and Productive Work***

3. Businesses make a contribution to the community by fostering the special *dignity of human work*.

4. Businesses provide, through *subsidiarity*, opportunities for employees to exercise appropriate authority as they contribute to the mission of the organization.

#### ***Creating Sustainable Wealth and Distributing it Justly***

5. Businesses model *stewardship* of resources—whether capital, human or environmental—they have received.

6. Businesses are *just* in the allocation of resources to all stakeholders: employees, customers, investors, suppliers and the community.

### **Sidebar 2**

#### **Genesis of a teaching document**

The publication of *Vocation of the Business Leader: a Reflection* is a sign of the leadership of Cardinal Turkson and Bishop Mario Toso at the P.C.J.P., who are seeking a broad collaboration of academics and practitioners to better evangelize the social world. The genesis of the document came from a seminar organized and sponsored by the P.C.J.P. entitled “The Logic of Gift and the Meaning of Business”. P.C.J.P. brought together academics from a wide variety of disciplines such as economics, theology, philosophy, management, business ethics and engineering as well as business leaders to explore and grapple with Pope Benedict XVI’s insights in *Caritas in Veritate*. One of the fruits of this exploration was *Vocation of the Business Leader: a Reflection*.

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1 Adapted from *America*, May 21, 2012: 17-19

2 Andre Delbecq expressed this to me in conversation over applying Catholic social principles to Catholic health care systems.