

Business Education at Catholic Universities

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Abstract: This paper proposes a practical model for integrating Catholic Social Teaching (CST) and the Franciscan tradition into a management curriculum. Using Neumann College as an example it explores how the espoused values of the institution, as highlighted in our mission statement, can be supported. The paper outlines specific actions that Neumann College is taking to ensure that CST and the traditions inspired by St. Francis and St. Clare of Assisi are incorporated into classroom discussions regarding corporate social responsibility and ethical decision making in core management courses.

Introduction

The management faculty within a business school should understand the need to embrace the mission statement of the organization in order to give life to the words in its catalog. For the mission statement to shape and reflect the culture of the organization it must be valued and lived by the members of community. This inclusion of religious values and traditions in a dialogue about corporate social responsibility is appropriate in Catholic higher education. Faculty members in institutions founded in faith traditions have the opportunity both to broaden and to differentiate management classes by going beyond justice principles in discussions about ethics. Management textbooks, such as Kreitner's (2007) *Management*, include references to the socio-economic model and acknowledge the relevance of stakeholder theory, the idea that the corporation must serve more than simply the needs of the shareholder (Freeman, 1984). However, these discussions are grounded in secular humanistic values and they make no attempt to integrate religious based moral insights into the dialogue. If the mission statement of a Catholic college or university is rooted in the gospel message, the faculty is called to support that message by acknowledging the faith-based tradition and mission of the institution. This extends the secular ethical conversation beyond personal virtues, utilitarian benefits, or individual rights. It requires that a dialogue about corporate social responsibility and ethical decision making include justice, compassion, love, and kindness, which are at the heart of the gospel message, the Franciscan tradition and Catholic Social Teaching (CST).

The challenge faced when integrating CST and moral insights into a management curriculum at this time is that many are disillusioned with the Church's moral leadership. Likewise there is the need to accomplish this without diminishing the appeal of the program to students, faculty, alumni, and friends who represent other faith traditions. However, the compassion and kindness reflected in the gospel message and the call for managers to be good stewards as found in the Church's teachings is not limited to the Christian religion, but is embraced by most of the world's religions as exemplified by the Golden Rule. This paper will consider how topics within the syllabi of some key management courses including Principles of Management, Organizational Behavior, and Human Resource Management might be enriched. It will present examples of how Neumann College incorporates CST and the Franciscan tradition, evident in its mission statement, into its business curriculum.

The Mission Statement and Core Values of Neumann College

Just as a business unit within a larger organization must conform to objectives and strategic themes of a corporation, the school or division within a university or college must incorporate the mission and values of the institution. The first step is to understand the mission of the overall organization. The Neumann College catalog states:

The educational mission of the College is shaped by the tradition that inspired the lives of Saint Francis and Saint Clare of Assisi. Neumann College seeks to provide an education that balances the liberal arts with the professions in an environment which promotes the development of men and women who will embody the Franciscan values of integrity, service to others, love/respect for all creation, excellence, and social responsibility/stewardship of resources. These values are evidenced through relationships that recognize the uniqueness and dignity of others, and through a sense of responsibility and stewardship as a citizen of the local and global community.

As part of the hiring process the institution must ensure that the faculty is comfortable with and supportive of its mission if it hopes to have its espoused values enacted by its employees. At a Catholic business school the faculty should be more comfortable integrating CST and, as in the case of Neumann, the Franciscan tradition, within the curriculum when they believe it will enhance the dialogue in the classroom or underscore the core values of the institution. The addition of CST can be viewed as complementary to the more humanistic/values

based approach and a way of differentiating Catholic education from state schools by reinforcing some faith based values introduced in the theology department.

Neither the mission statement nor core values call for an evangelical approach to education; however, they do require offering instruction grounded in Franciscan tradition that reflects the spirit and values of Francis and Clare by promoting integrity, service to others, love and respect for creation, social responsibility, and stewardship of resources. Francis is often attributed the quote, “Preach the gospel always, when necessary use words.” While there is no documentation that Francis actually said these words, nevertheless, the maxim embodies the way he lived. It is not the primary responsibility of the business department to introduce students to theology, religious doctrine or tradition; this area of expertise falls under the department of theology. However, to comply with the mission of the college those in the business division need to consider how to integrate CST and Franciscan tradition into the dialogue of corporate social responsibility and ethical decision making.

Typical management courses include subjects that lend themselves to the insertion of Roman Catholic and other faith traditions including the topics: corporate social responsibility, equal employment opportunity, affirmative action, valuing diversity, and organizational justice. In addition, gospel principles and Church teachings can also be incorporated into a classroom discussion on many key human resource functions including: recruiting and selection, appraisals, compensation, and termination. This paper gives examples of how Franciscan values and CST can be incorporated into the discussion of specific business topics in order to broaden and enrich the perspective of the students.

Corporate Social Responsibility

The classical economic model suggests that if managers focus on profit maximization all else will fall into place. This focus on wealth maximization, both for shareholders and managers, has resulted in the appearance that corporate decisions are based primarily on profits and share price. Often this discussion does not consider the needs of other constituencies (stakeholders) impacted by the firm. This traditional view of the firm has resulted in many believing that managers and the board of directors have a fiduciary responsibility to serve the interests of the shareholders by maximizing profits. However, the American Law Institute’s Principles of

Corporate Governance qualifies wealth maximization as a goal by adding the caveat that a corporation “may take into account ethical considerations that are reasonably regarded as appropriate to the reasonable conduct of business” (American Law Institute, 1994). In addition, management textbooks for many years have acknowledged that managers have a responsibility that extends beyond the shareholders. A recent survey in the *Economist* (Franklin, 2008) reveals corporate social responsibility to be increasing significantly among global executives’ priorities. This certainly is in accord with Neumann’s Franciscan values, specifically excellence, social responsibility and stewardship of resources, as well as the principles of Catholic social teachings.

Corporate Social Responsibility is defined in Kreitner’s (2006) *Management* text as “the idea that business has a social obligation above and beyond making a profit” (page 124). This concept of managers and their boards having an allegiance to other factors beyond profit making is grounded in stakeholder theory (Freeman, 1984). Freeman indicates that the firm is characterized by relationships with many groups, and that these groups (stakeholders) have the power to affect a firm’s performance as well as having a stake in the firm’s performance (Jones, 1995). Through stakeholder theory students are exposed to the idea that managers have obligations to all who are impacted by the company including shareholders, employees, customers, suppliers, and the communities in which they operate. Underlying stakeholder theory is the notion that the responsibility of managers extends beyond the need to make money for shareholders; it implies that no set of interests should dominate the others (Clarkson, 1995; Donaldson & Preston, 1995; Jones, 1999). The assumption that it is not appropriate for managers to neglect their moral obligations when seeking profits is enforced by the belief that moral principles are antecedent to the contract between the principal (the organization) and its agents (Quinn & Jones, 1995); thus profit maximization without regard to morality is not part of the obligation that managers have to the shareholders.

It is possible to defend stakeholder theory with an instrumental ethical argument, suggesting that those who look after the interests of all stakeholders in a morally defensible manner will, in the long run, be rewarded in the marketplace (Jones, 1999). In the context of reputational risk is it not difficult in the post Enron era to argue that good ethics can prevent values from being destroyed, but CST goes beyond the instrumental ethics argument. It calls all people to a deeper awareness of the need for and action toward justice in the world, recognizing

the solidarity and interdependence of humankind. Pope Paul VI in his Apostolic Exhortation, *Evangelii Nuntiandi*, 1975, reiterated the gospel mandate that all Christians be hearers and doers of the word. In “Economic Justice for All,” the pastoral letter of the United States Bishops, 1986, the hierarchy called Americans to consider minimum levels of justice, to examine inequalities in society, and to serve the common good. Similarly, the Franciscan tradition highlights the dignity of the human person. Francis, the son of a wealthy cloth merchant, saw this dignity reflected even in the lepers and other social outcasts of his time. Papal documents from the time of Pope Leo XIII, and more recently the pastoral letters of the US bishops have echoed this gospel summons of human dignity in bringing about justice.

Many of the ideas within stakeholder theory are found in Pope John Paul II’s encyclical, *Centesimus Annus*, 1991. This document recognizes and builds upon Leo XIII’s groundbreaking encyclical, *Rerum Novarum*, 1891. In the context of corporate social responsibility and justice for all stakeholders Neumann College has incorporated references to both Leo XIII’s call to respect the dignity of the worker and the need for a just wage, as well as John Paul II’s concern that capitalism not exploit or marginalize any members of society. *Centesimus Annus* affirms that profit is a goal of a business in a free market economy and that the creation of wealth is important. At the same time it calls for managers to place a greater emphasis on how business serves others including employees, customers, and the communities in which it does business, particularly the third world. This principle is in line with Freeman’s stakeholder theory (1984) and the socioeconomic model that suggests that many have a stake in corporate affairs other than the shareholders. The message from Leo and John Paul is centered on love, service, and stewardship. To assume that shareholders or managers are only interested in profit maximization is to believe that they are acting immorally, or at least amorally, and there is a need to ask whether profit maximization as an overriding goal is ethical. Certainly, at a Catholic business school this topic must be discussed and the debate should include the views of both secular and religious ethical leaders.

In light of Neumann College’s mission statement there are several explicit areas within the overall category of management or specific disciplines of human resource management and organizational behavior where it is logical to incorporate the Franciscan tradition and CST. The primary purpose is to integrate these into the classroom dialogue at suitable points where an

ethical discussion of the implications of management decision making is appropriate. This broadens the dialogue from a simple discussion of secular ethics to include also the gospel message of love, compassion, justice, and kindness and the call for those with power to look after the needs of the less powerful or powerless.

Specific Management Topics

From Equal Employment Opportunity (EEO) to Valuing Diversity

Equal Employment Opportunity (EEO) laws are an attempt by society to create a fair and unbiased playing field within an employment context. These laws became a national priority in the United States in the 1960s with the passing of such landmark laws as the Equal Pay Act of 1963, the Civil Rights Act of 1964, the Age Discrimination Act of 1967 and, more recently, the Americans with Disabilities Act of 1990. During this period there was recognition of injustices that existed in the country and the need to work toward justice for all. These laws, together with Supreme Court decisions and other executive orders, outline the legal responsibility that each organization must consider when evaluating whether it provides a fair workplace. EEO legislation represented some first steps to address injustices in the workplace; the need for them reflected that discrimination did exist. Human dignity, which lies at the heart of Franciscan tradition and CST, was not being respected.

Although the first EEO laws were passed during the Johnson Administration, many give credit to some religious leaders of the time, particularly Rev. Dr. Martin Luther King, Jr., who was a driving force in the movement towards equality and affirmative action. King's message was based on the gospel message and inspired by his faith, as exemplified when he challenged America to come together as all "God's Children". Using a video of King's "I Have a Dream Speech" sets the tone for the necessity of EEO laws, while enforcing the power of the gospel message of compassion and the challenge to get involved or to risk being an accomplice. The incorporation of King's speech in a Human Resources class is a subtle way to remind students of what the United States was like in the in the 1960s and how the power of faith helped America better understand that we are all "God's Children" and deserving of respect.

The Church was a vocal supporter of the civil rights movement, which promoted the passage of EEO laws. Thus, when discussing EEO, it is appropriate to include a discussion of the Church's stance on discrimination and the need to treat all people with justice and compassion. Pope John XXIII's encyclical *Pacem in Terris*, 1963, specifically called all humankind to acknowledge and respect the rights of others and to act responsibly in light of them. In the context of Equal Opportunity Laws the encyclical addresses the importance of just and compassionate economic and political laws, including a focused challenge to pay more attention to the marginalized members of society. (In Human Resource language these might fall into a "protected class".) John XXIII's insistence to take an active role in public life and organizations and to create change from within corresponds to King's message that inaction results in one being an accomplice. King's challenge to recognize all persons as God's children echoes the message at the heart of many encyclicals and pastoral letters. The need to eliminate racism was likewise addressed in 1988 Statement of Pontifical Commission on Justice and Peace. This stated that that all are created in God's image and that each person has the same nature, calling and divine destiny. The commission sent the clear message that true faith in God negates racist ideology.

The concept of affirmative action is typically included in the EEO chapters of most management textbooks. The purpose of affirmative action is to correct past discriminatory practices by increasing the numbers of women and minorities in areas where they were once excluded. The core of the affirmative action debate is centered on whether it is fair to give preferential treatment for select individuals, or whether this is simply a form of reverse discrimination. Today many human resource textbooks, such as *Managing Human Resources* (Bohlander & Snell, 2006) and *Fundamentals of Human Resource Management* (Noe, Hollenbock, Gerhart, & Wright, 2007), acknowledge the mounting objection to affirmative action plans and preferential treatment. There is a growing uncertainty as to their effectiveness and an increasing focus on the fairness of giving preferential treatment to one group over another. However, the debate around affirmative action rarely includes justice, compassion, love, and kindness. The clear message in "Economic Justice for All" is the need to enforce justice with love and respect. This letter was written with input from business leaders, among others, and addresses the need to promote the common good and to work towards greater justice. The bishops highlight the unfulfilled dreams of millions of Americans and call for a minimum

level of participation in organizations and an examination of inequalities of income, privilege, and power that could be discussed in the classroom. As Catholic social teaching has evolved it has increasingly been shaped by the primacy of love. (DeBerri et al, 2003). This is particularly evident in *Centesimus Annus*. This primacy of love is rooted in the Franciscan intellectual tradition and is ultimately traced back to the gospel message of God's love revealed in Jesus.

It is common for organizational behavior, human resource, and management textbooks to include sections on valuing diversity and understanding cultural differences. They outline the need to recognize the unique contributions and benefits that a diverse workforce brings to an organization. Over a century ago Leo XIII advocated recognizing the rights of all to participate and to be treated with dignity. John XXIII echoed this theme in *Pacem in Terris*. He stressed that all people have economic rights as well as the corresponding obligation of respecting the rights of others and acting responsibly in light of them (DeBerri et al, 2003).

Recruiting and Selection

The first step in the employment process is the recruiting function, where attractive candidates are identified. In discussing the recruiting and selection functions, two topics that are often covered in HR textbooks, for example, *Managing Human Resources* (Bohlander & Snell, 2007), *Fundamentals of Human Resource Management* (Noe et al, 2007), and *Human Resource Management* (Mathis and Jackson, 2008), are: (1) the importance of developing a diverse talent pool and (2) the legal requirement that selection procedures be conducted in a manner that is non-discriminatory. Typically, these textbooks have already covered Equal Employment Opportunity and Managing Diversity but in discussion of selection procedures they again highlight Equal Employment Opportunity requirements stressing the importance of eliminating bias and discrimination.

At the core of the EEO discussion regarding recruiting and selection are the legal considerations of whether employment practices are discriminatory. Students are warned about selection or evaluation procedures that result in a bias against protected class members such as the "similar-to-me" bias, that can result in discrimination, and is highlighted in many Human Resource texts (Bohlander & Snell, 2007; Noe et al, 2007). However, this is not enough as there is a need to supplement the legal discussion by spending more time addressing the value of

diversity in the context of the institution's mission and Catholic social teaching. It is an opportunity to highlight love and respect for all God's children, to recognize the uniqueness of each person's contribution, and to acknowledge the responsibility of management to consider its obligation to promote diversity. CST calls for leaders of organizations to develop a sense of responsibility that goes beyond simply avoiding discriminatory recruiting and selection processes and to embrace the concept of reaching out to the underserved. This is similar to the call to celebrate diversity. Incorporating CST into the classroom gives guidance in terms of the moral obligation to look after the needs of the wider community. Given the importance most organizations place on training and development the idea of hiring candidates who are not immediately qualified, but who have the desire and potential to be qualified, would increase the pool of eligible candidates thus improving diversity.

Compensation

Organizational justice theory is usually incorporated into lectures and textbook treatments dealing with compensation. Greenberg (1996) coined the term "organizational justice" to refer to the extent to which people perceive organizational decisions to be fair. Justice is regarded to have three major forms: distributive justice (fairness of outcomes), procedural justice (fairness of the procedures that are used to make decisions) and interactional justice (the fairness of how decisions are enacted by authority figures). The concept of organizational justice is usually included in a student's principles of management course, but the emphasis is typically on distributive justice (fairness of outcomes) with many texts focusing on equity theory (Adams, 1963) as a key way people determine fairness. Yet equity theory, which is based on social comparisons and the perception of the value being created versus the pay one is receiving, is only one way society judges fairness of distributions.

Research on distributive justice uses three allocation rules pertaining to fairness: equity (where contributions are weighed against the rewards received); equality (where all are given the same rewards); and need (where individual rewards are based on one's needs). In the US there is an assumed bias towards equity as the primary distribution rule (Deutsch, 1975). However, it is acknowledged that most allocation situations are governed by multiple goals and as a result are

served by multiple norms (Colquitt & Greenberg, 2005). Research by Giacobbe-Miller et al (1998) demonstrates that even in places where the primary emphasis is on equity, substantial base allocations are made using equality norms.

Given the increasing importance in our culture on pay for performance and the emphasis on equity as a norm for distribution it is important that these other norms, equality and need, at least be introduced at a Catholic institution. CST teaching is clear about the need for a living wage. At least three encyclicals have addressed compensation, *Rerum Novarum*, *Laborem Exercens*, John Paul's 1981 encyclical on human work, and *Centesimus Annus*. Leo XIII's encyclical examines the plight of the poor within industrialized countries and challenges employers to be mindful of the rights of laborers and to promote justice in the workplace. The encyclical insists that employers uphold the dignity of the worker and provide a just wage. John Paul's two encyclicals repeat the demands for just pay, specifically sufficient to support a family. It is particularly important in a classroom discussion on variable pay and CEO compensation that students realize how they, as future managers, need to consider the moral implications of large pay differentials that often exist in pay for performance plans where equity is the primary allocation norm. This is not to suggest that variable pay does not serve a role in the company; rather the primary purpose of this discussion is simply to include concepts such as a living or just wage and the need to respect the dignity of the worker. The aim is to introduce the idea that increasing pay differentials can have moral implications.

It is particularly important in a faith based institution to introduce the topic of a just and living wage and the call to managers to be good stewards of all of their assets. Although the level of comfort that a faculty member has regarding incorporating specific encyclicals will vary, it is the underlying concepts that are at the heart of the institution's mission statement. CST addresses the responsibility for the empowered to look after the needs of those who are not empowered. In "Economic Justice for All" the US Bishops call for an examination of the inequalities of income, consumption, privilege and power. In developing a fair compensation program there is a need to examine internal pay equity among the levels in the organization, understanding that market conditions might require some imbalance. Minimally, a manager grounded in CST would ensure basic levels of distributive justice such that all employees have a living wage in order to support their families. *Centesimus Annus* issues a challenge to examine the failings of capitalism

and to promote human dignity by fostering a sense of responsibility. Too often capitalism has focused market driven solutions and has not adequately acknowledged the fact that as good stewards managers also need to consider how best to promote human dignity among their employees and in their communities. It would seem that in a Catholic institution it is particularly important to include within a discussion of pay structure a debate about an organization's responsibility to ensure a living wage for those at the lowest level of compensation within the company.

Many human resource and management classes examine the topic of executive pay. The gap between the average worker and the CEO is studied both in an historical context and in comparisons with other cultures. Compensation committees use pay for performance as the justification of high pay but the empirical evidence is less than clear. Research by Bloom and Michel (2002) demonstrates that at a minimum pay disparity is related to higher turnover among managerial ranks and lower tenure. Few topics generate as much controversy and investigation with the leadership domain as executive compensation, and most texts attempt to address the logic behind executive pay. However, less attention is focused on those on the bottom rung of the pay scale and the possible impact on the organization of having a group of employees who are struggling in the midst of those who are well paid. Catholic social teaching claims that one must look to the poor to determine if a society is just. The same might be applied to corporations, in looking to the lowest paid employee to determine the justice of a corporation. This concept is also rooted in the Franciscan tradition. Francis and Clare of Assisi, his feminine counterpart, chose to identify with the outcasts and the least of society. Francis, son of a rising business man, and Clare, born of nobility, challenged the social order of their day by overturning the values it espoused. They compassionately and lovingly cared for lepers and others in need, mindful of the dignity afforded to each person.

Termination

Organizational justice principles and fairness theories are usually addressed in the discussion of "just cause discharge". Termination is normally the final step in a progressive discipline procedure. This step can be a particularly difficult decision given the importance that forgiveness plays in the gospel message and in the Franciscan tradition. In considering separation, respect and compassion for the individual must be maintained. It is the responsibility

of the organization that the individual understand why there is a need for termination. The economic pastoral letter calls for employers to remember the need for loving justice, which promotes human dignity. Examples of compassionate justice might be organizations that offer progressive discipline prior to termination, fair severance pay, and effective outplacement counseling as a means of softening the termination decision. Yet even in light of these efforts, the typical reaction of an employee to dismissal can be anger or depression. Thus educators who embrace CST and the values of their institution must emphasize the need for compassion throughout the process. When a termination decision is made it is particularly important that the dignity of the individual be respected and that that person is treated with compassion at all times.

Power and Influence

Power and influence in the workplace is a topic that also connects with CST. Many Organizational Behavior texts (Kinicki & Krietner, 2006; Gibson, Ivancevich, Donnelly, & Konopaske, 2006) focus on the five sources of interpersonal power as identified by John French and Bertram Raven (French & Raven, 1959): legitimate (hierarchical), reward, coercive, expert, and referent power. Conditions within the corporation determine whether or not these sources of power will result in influence and whether a person has the ability to influence others. For the most part, a discussion about power and influence tactics is centered on how individuals can get others to do what they want them to do. One of the purposes of this section of an organizational behavior course is to discuss how power or influence tactics work in an organization in order to create an understanding of how work is accomplished. The idea that power can be abused and the ethical decision related to power is often framed in the context of traditional secular ethics topic such as utilitarian rights, individual rights, or justice theory. However, the concepts of love and compassion are seldom included in the discussion of appropriate use of power.

CST challenges those with power in an organization to look beyond the standard norms of justice. The primacy of love is what brings justice to its fullest potential and produces moral action (DeBerri, Hug et al, 2007). The primacy of love is likewise rooted in the Franciscan tradition and undergirds all its values. It is rooted in the gospel mystery of the Incarnation, God's Word becoming flesh. This empowers all people to share in this love as "words" of God. When

the topic of power and responsibility is discussed in class it is appropriate to introduce the idea that love of others will bring about justice in the organization. Reason alone should not guide the actions of managers; those who are in power must act in a compassionate manner in dealing with those lack power.

Conclusion

Business schools within Catholic Colleges and Universities would be wise to incorporate the values of their mission statements and CST into their curriculum and in their own operations and actions. The gospel, the Franciscan tradition and values, papal encyclicals and letters of the USCCB send a clear message that all citizens have the responsibility to promote justice and respect human dignity. It is important that the faculty of a university or college with a gospel centered mission understand how the mission statement and CST can enrich their subject matter. It is also important that the institutions themselves not simply “talk the talk” but that they “walk the walk”. A school that embraces CST must not simply preach the message, it must enact the message in terms of how the institution treats their stakeholders, including administrators, faculty, staff, students, alumni, and the community. This paper has suggested ideas of how to incorporate specific papal encyclicals and pastoral letters within a business curriculum. The key is not so much the introduction of specific doctrines in the classroom, but the discussion of principles that underlie them and the enactment of those principles. In a conversation about business ethics there is a clear call to consider the importance of love and compassion. Educators of future managers must prepare students to be good stewards and they themselves must be good stewards. These principles should be at the very core of a business curriculum in a Catholic institution.

Where to Find Documents:

The encyclicals highlighted in the paper are available on the Vatican's web site: www.vatican.va.

The pastoral letters from the US Conference of Catholic Bishops is available on their web site:

www.usccb.org.

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