

## **Profit and Common Good**

### The Calling of the Entrepreneur

(1) The following remarks are not only about profit and the common good, but will be addressing the 'calling of the entrepreneur'. From the perspective of a Christian social ethics we will examine the totality of moral norms that need to shape the conduct of the entrepreneur, if his work is to succeed and if his calling is to yield benefits. Yet at the heart of this calling there squarely stands the relationship between profit and common good: at issue, then, are their commonalities and their differences. These then are the questions before us: Is profitability the foremost issue facing the entrepreneur and is the advancement of the common good merely of secondary importance? Should the latter even be of concern, since it will automatically fall in the domain of 'the invisible hand'; or - for those who do not follow in the steps of Adam Smith and Friedrich von Hajek- should this strictly be a task for the professional politician?

All things considered, what is the 'common good'? Is it peace, economic prosperity and social justice? On first sight, the common good may look different from one country to another. But under the surface of possible answers a commonality can be ascertained and one may venture a general, tentative definition, that will help advance this inquiry: The common good is the totality of political, social and economic conditions that facilitate the personal development of the human being.

The common good is dependent on the entrepreneur. Practically speaking, this was never in doubt. The age of industrialization and the technical applications of scientific discoveries to rational systems of production did not even mark the first appearance of the entrepreneur. We already meet entrepreneurial activity by craftsmen, tradesmen and bankers in the early modern period of the 15th and 16th century.

The economic sciences, however, had neglected to explore the function of the entrepreneur.

Until the 20th century their focus was on the provider of capital on one hand and the wage laborer on the other hand. It fell to Max Weber and Joseph A. Schumpeter to direct the attention of economists to the entrepreneur. Schumpeter saw the function of the entrepreneur " in the reforming or revolutionizing of the structural features of production, be it through the exploitation of an invention or, more generally through the introduction of an experimental technical procedure for the purpose of producing a new commodity or through producing an existing source of raw materials, a new market area or the reorganization of an entire industry."

(2) Yet even today the entrepreneur is a neglected entity. His image remains ambivalent. At times he is praised as a pioneer and other times condemned as a profitmonger, a bloodsucker or a "mafioso". The following reflections about the calling of the entrepreneur are not aimed at a specific societal or economic order, nor do they refer to a business sector. They rather assume that the right to an entrepreneurial existence is a human right that bears central importance not only for individuals but also for the common good. As a first step we will inquire into the ethics of the pursuit of profit (I); secondly into the organization of the business enterprise as an ethical task (II), thirdly into the entrepreneurial responsibility for the common good (III), in order to

fourthly, move beyond entrepreneurial existence to the wider transcendent horizon (IV).

### **I. The Ethics of the Pursuit of Profit.**

(1) Certain standard texts in the field of economic ethics examine tangible ethical issues only after having completed the economic inquiry. This leaves the impression that an ethics of economic action amounts to a mere superstructure - which arises beyond the science of markets and profitability. Such bifurcation severely shortchanges economic ethics, since it does not develop the ethical locus within economics itself.

(2) The quest for profits is often singled out as the heartbeat of entrepreneurial activity. And properly so, provided that profit is indeed the expression of revenue surplus over all expenses, including taxes and write-offs. Here profitability assumes the mark of a competitive capacity which brings together workforce, capital as well as technical and financial 'know how' through one crucial entrepreneurial effort. Under such circumstances 'making a profit' amounts to a moral duty. Profits presuppose useful products that generate demand and sustain employment. Profits may not constitute an ultimate end. However, they do serve the varying purposes of consumption, savings and investment, which in turn can be subjected to closer moral scrutiny. In the words of Pope John Paul II, the Church acknowledges "the appropriate function of profit as an indicator of the sound condition and operation of s Annus' 35).

It is, however, no secret that the pursuit of profit can also be tainted by the use of dishonest means. In such cases profits are made on account of unfair wages, evasion of legal mandates -- such as environmental regulations --or due to the fraudulent elimination of competition. It is during periods of economic recession that the temptation to employ such means may be greater than in times of economic expansion. But these multiple ways of perverting the pursuit of profit do not render the quest for profit itself immoral.

Profitable corporations are a prerequisite of the common good. A business operation that is unable to turn a profit - for whatever reason - burdens the common good. When numerous enterprises show losses on their balance sheets the common good is endangered, if not destroyed. The difficulties that are afflicting the process of economic transformation in contemporary post-communist societies are an object lesson for all. To achieve profits every corporation is in need of entrepreneurially minded human beings - not only at the very top and in a few executive positions, but on all levels. And it is here that post-communist societies are most deficient.

The entrepreneurial human being embodies a particular set of qualities, for which the traditional notion of virtue provides a fitting description. To wit: the capacity and willingness to take initiatives, to make decisions, to suffer exertions, to take risks, to obtain results, to study markets, to innovate, to anticipate trends --and last but not least -to inspire and enlist fellow workers. Fundamentally, the entrepreneurial life presupposes an ability to work on oneself; it also requires discipline, prudence, diligence, energy, parsimony and creativity. In his encyclical 'Centesimus Annus', Pope John Paul II additionally enumerates these features: " diligence,

circumspection in the consideration of risks, trustworthiness in interpersonal relations, and steadfastness when difficult and burdensome situations are confronting the prospects and survival of the corporation."

Steadfastness in the execution of difficult but necessary decisions - that address adversities effecting companies or entire industries - is a cardinal entrepreneurial virtue. It is in crucial demand during periods of recession. Clearly, such steadfastness was not sufficiently present when numerous collective bargaining agreements were signed in Eastern Germany after re-unification. To this day we are left with a serious 'disconnect' between wage demands and actual increases in workplace productivity.

Entrepreneurial existence also presupposes the ability to build effective interrelations with other humans. This extends to fellow workers, clients, other entrepreneurs, members of worker committees, union stewards and politicians. Adaptability and ease of communication round out the picture. With an increasingly diverse clientele that ranges from manufacturing, to the service and food sector, to knowledge industry and educational establishments there is much need for entrepreneurial dexterity. This holds all the more true if significant export relations enter in. Lastly, entrepreneurial existence must also accommodate itself to macro-economic and ecological challenges and make contributions to the sphere of culture and the national as well as the international community.

A survey about values professed among German entrepreneurs found that some 83% regard independence and the ability to shape and effect things as the most important feature of their vocation. Burdens notwithstanding, 75% declared their calling a delight, a joy rather than a chore. Clearly, the entrepreneurial human being is the exact opposite of the person who looks for entitlements.

(3) If the entrepreneur is indeed the "prime mover" of economic processes, then he must show receptivity to technological trends, the use of new materials and products, manufacturing processes, information and marketing systems. His proclivity toward innovation will often challenge established forms of production and business organization. Without creative stirrings and a willingness to pursue new forms of rationalization, the entrepreneur will not be able to secure competitive advantages, profits and job security at his business. The entrepreneur will not only look in the direction of leading edge technologies, but will also search for ways to shape the thrust of their very development.

(4) The responsible entrepreneur knows quite well that it is the purpose of the enterprise to generate products and services for the satisfaction of human needs. His thoughts are centered on the total human being: the needs and wants as well as the constructive capacities. The human being is thus not merely a customer, an employee, a vendor or financially speaking, a creditor or an investor. Such centering on the human person will protect the entrepreneur from isolating the quest for profit and thereby succumbing to an 'inhuman' perspective. It will likewise militate against rationalizations that would accept inhuman results. It becomes feasible to implement necessary or desirable changes in the organization of a business in a manner that reduces or even eliminates harsh crisis management, employee frustration and lay-offs.

(5) To realize such an entrepreneurial scenario requires distinct societal, legal and political frameworks. The **first** prerequisite is a political system that is explicitly or implicitly laid out in accordance with the principle of subsidiarity. Here the state takes a backseat. The citizens are not limited to initiatives that suit the will of the legislative and executive branch - or - as was the case in formerly socialist countries - the will of the party. A subsidiarity based political system operates from the premise that the state may take on only those agendas which cannot be carried out by individual citizens, families and societal groups. But the state that lives by 'subsidiarity' also accepts an additional obligation. Namely: To ask whether the framework of educational policies, tax laws or social entitlements should not empower and strengthen citizens, families and societal groups, so that they may carry out those challenging agendas by themselves after all, and not have them fall upon the public sector. While the process of European integration made much room for the principle of subsidiarity, some of the features that are under discussion here have been disregarded since the Maastricht agreements took effect. Since the states of Eastern Europe, as well as many nations of the Third World, have not adopted the concept of the subsidiary role of the state in the past - no doubt for varying reasons - they are now facing a distinct shortage of entrepreneurs.

The **second** prerequisite for entrepreneurial development is a legal system sustained by societal consensus that guarantees private ownership of the means of production as well as unimpaired economic competition. Private ownership " as a sort of extension of human freedom" must be protected as the basis of responsible choice and as prerequisite of free citizenship. It acts as stimulant for assuming tasks and responsibilities and thereby also entrepreneurial initiative. By upholding private property the constitutional and legal codes therefore facilitate the market economy. The market-economic order favors an unfolding of the performance principle and the pursuit of profit that serves the common good. At the same time it must also take into account the principle of the universal purpose of commodities through systems of taxation and social entitlements.

A **third** prerequisite is unencumbered foreign trade. Foreign trade policy must be devoted to securing effective international economic competition. Likewise, tariffs and other systems of duties are to be eliminated. Here the goal must be the free movement of labor, capital, goods and services without turning a blind eye to the economic and social problems that are besetting.

(6) The framework for entrepreneurial development also entails limitations on the pursuit of profit. On the one hand through the rule of law - and on the other through specific virtues and patterns of conduct by the entrepreneur himself. This has the ring of paradox to it, since the successful optimization of profit is commonly seen as the quintessence of entrepreneurial striving. A moral justification, however, can only be claimed if the pursuit of profit complies with the following criteria: -it may not employ any unfair means, i.e. profits must be based on performance and competition. The legal order must therefore provide sanctions against abuse of property and the curtailment of competition.

The entrepreneur must respect the "golden rule" and be committed to fairness. - it may not serve egoistical purposes, i.e. profits may not be shielded from taxation and not be kept out of the pattern of economic circulation. The right to private property is not to be separated from the universal purpose of commodities, if it is to preserve its legitimacy. The legal order must therefore also uphold the responsibility of the property owner for the common good [Art. 14,

Sect. 2 GG - Basic Law - Federal Republic of Germany], create favorable conditions for investment and hereby curtail the flight of capital. The entrepreneur must distinguish himself through honesty, fairness and generosity. - it may not marginalize those who cannot -for whatever reasons - deliver any performance. The constitutional order must ensure through a grid of social contributions and public welfare entitlements, that the economy is not merely shaped by a profitability calculus but also by a concept of social justice - in other words that the performance principle be complemented by the solidarity principle. " In a society that places value on human beings only in so far as they have the ability to perform, the unborn, the infirm and the aged are endangered, the weak face calamity and all live in fear. In such a society generosity is an alien word that hails from the vocabulary of the naive; thankfulness is a sign of futility and loneliness is the dominant disposition".

A pursuit of profit that does not meet all of these criteria is incompatible with the common good. For it is not only morally unjustifiable, but also unsustainable over any period of time, since such a pursuit would destroy the very societal ground that it needs to thrive.

## **II. The ethics of internal business communications.**

(1) The organization of the business enterprise is first of all determined by the goal the entrepreneur wants to attain. Competence and readiness to innovate in matters of materials, the organization of production set-ups or service seen - a moral task. But the business enterprise is not only an economic entity that is geared towards earnings. It is rather a community of human beings, whose dignity demands that the entrepreneur acknowledge them as fellow workers and thus as persons and not as factors of production. This anthropocentric view of the enterprise carries consequences for the communicative conduct of the entrepreneur for the advancement of employees and the delegation of decision-making authority.

(2) The entrepreneur who follows these precepts will create a 'proactive' information flow about the goals, mission, direction and challenges facing the business enterprise for the benefit of the employees. In other words, the entrepreneur needs to add a vigorous communicative effort to his decision-making ability. "Much work needs to be devoted to information, namely what we do and why we are doing it". In addition the entrepreneur needs " to have the ability to listen and to step into somebody else's shoes". He needs to be both a mediator and a practitioner of the art of conflict resolution. And: he definitely needs to 'go to bat' for his fellow workers.

The earnings-driven, innovative entrepreneur needs to offer continuing education benefits to his employees so that they may qualify for internal advancement and eventually ascend to executive positions within the enterprise. He must also entice them to take on wider responsibilities. Even if his enthusiasm cannot be fully transferred, the entrepreneur has to find ways to motivate his employees. Last but not least, it is imperative to use fair wages and the prospect of profit-sharing as a vehicle for instilling a sense of performance and dedication to the mission of the enterprise.

The entrepreneur must also find ways to delegate responsibility. The principle of subsidiarity does not only apply to the public sector, but also to the private business

enterprise. Working groups/teams that succeed at their business tasks or ventures, should also have the ability of autonomous decision-making. Every employee should carry responsibility in his sphere of competence. " Today, directing a business is more than ever synonymous with delegation and the granting of decision-making power". The sense of working under a grant of responsibility, forms part of the humane design of a working life. " Human nature already carries with it the need to grant the agent of productive work the ability to help determine his prospects and achieve through his labor the development of his personality".

This ascertainment of Catholic social teaching has found in recent years much acceptance in the disciplines of operations research and business administration, as well as in the practice of many large enterprises. Here we find that small groups of 5 to 10 workers meet - voluntarily - during work hours with a foreman/immediate superior to discuss problems that arise in the work process. In companies such as Siemens, BMW and Volkswagen these groups, known as "quality circles" or "learning sites", have attained a permanent presence. Together with the concept of "lean production" these steps do serve, of course, the maintenance and enhancement of the company's competitive position.

However, they also identify two important gains: (1) diminishment of the negative consequences that arise with the division of labor; (2) participation of workers in the design and lay-out of business mechanisms.

All this serves to discredit the cliché that "he who talks does not work", and underscores that job suitability comes with a readiness to communicate.

### **III. The responsibility of the entrepreneur for the common good.**

(1) An entrepreneur who uses his business to meet social needs, who accrues profits in a fair and square manner and who thereby provides jobs, is a contributor to the common good. Without a doubt, profitability is part of entrepreneurial responsibility for the common good. This responsibility, however, also extends to domains that may enter into conflict with the pursuit of profit.

(2) If the development of entrepreneurial existence is dependent on societal, political and legal frameworks, then the entrepreneur will need to take a keen interest in these frameworks. Clearly, political engagement fits into the logic of entrepreneurial conduct. The same rationale also applies to labor-unions. Entrepreneurs have generally formed interest groups. This releases the individual entrepreneur from the necessity of political engagement, while professional staffs carry out the task of influencing public policy. These associations need to craft broad agendas: From shaping public opinion on specific issues to developing credible public relations for the entrepreneurial point of view. The arena of collective bargaining with its "give and take" in negotiations with labor unions cuts to the very core of public life and communal viability. There simply cannot be good economic public policy without entrepreneurial input and advice.

The willingness to make commitments to such interest groups, to finance as well as control them, accentuates the responsibility of the entrepreneur for the common good. Nonetheless, the engagement in entrepreneurial associations, does not automatically qualify as service to the

common good, since such groups are quite capable of not only furthering the common good but also of endangering it. To wit: when in lieu of advising, reconciling and beneficial collective bargaining the posture of attacking, threatening and manipulating gains the upper hand. Through such undermining of the common good neither the association nor the individual enterprise is well served, especially not in the long run.

In a free constitutional system with a multitude of competing interest groups, no association can afford to deliver distorted analyses, project doomsday scenarios and make demands at the expense of others. Its ability to exert influence would approach zero. To avoid such temptations, entrepreneurial associations depend on entrepreneurs and staffers, who combine competence with courage and fairness, who respect "the golden rule" and who are capable of anticipating the consequences of their policy demands toward both public sector and labor unions as well as its echo in the market place of ideas.

(3) The responsibility of the entrepreneur reaches, however, far beyond an engagement in entrepreneurial associations. He cannot simply delegate it to an interest group. He has to make his talents available in an unselfish manner to both state and society. His readiness to innovate and his managerial acumen may not be confined to his enterprise. They should bear fruit in the entire public sector, which ranges from trade groups, to institutions of higher learning, to foundations and non-profit organizations as well as political parties, churches and charities. All these settings need the participation of the entrepreneur for the sake of the common good in a democratic society that is organized according to the principle of subsidiarity. Political parties are especially dependent on entrepreneurial willingness to run for public office and serve in elective bodies and assemblies - from local and regional to national and international levels. And not only because of the entrepreneur's economic and decision-making competence, but because of his ability to look for problem solutions that suitably set free personal initiative in lieu of governmental assistance programs.

A feature of entrepreneurial responsibility is the clear affirmation of a system of collective bargaining - and thereby the acceptance of independent labor/trade unions. Here unions are not seen as burdensome but as necessary negotiating partners. It is part of the labor market responsibility of the entrepreneur "to always again seek the personal, constructive discussion with union leaders."

Finally, the responsibility of the entrepreneur extends to a continual willingness to familiarize himself with the problems of current times. His sensibility must reach beyond the problems and trends of his own familiar world to those of the world at large. He must become cognizant of his responsibility for social predicaments, as well as the protection of our natural world and the cause of international justice. He must neither look at nature nor the Third World as mere locations of raw materials. Neither should the Third World be seen as just another market.

Only when the entrepreneur recognizes that his enterprise cannot be an island to itself within society will he do justice to his responsibility for the common good. He will then understand the many ties that link his enterprise to society and make its profitability dependent on the well being of this society.

#### **IV. Beyond profitability**

(1) The calling of the entrepreneur is not restricted to the quest for profit, and the fields of internal communication and the common good, but extends to the wider question of meaning. The enterprise cannot provide the total sense of life. And the products and services that it procures are not ends in themselves. They are always serving human beings. They must be confronted with the quest for a humane existence/life. A pluralistic society will not be able to provide a binding answer for all. But this does not constitute a rationale for evasiveness by the entrepreneur. As a good practitioner he has to let on that he is not totally in the grip of the proverbial 'bottom line', that he is not a slave of the enterprise. If it is the main characteristic of a proletarian existence to be chained to relentless toil, then it is possible for the entrepreneur to become a proletarian. He must therefore guard against being a "total entrepreneur". He must remain receptive to his family, to beauty and to God. He needs to make time for spouse and children, parents and friends, and also for a club or personal charity. The entrepreneur without days of rest and without vacation, i.e. the 'workaholic', does not a good entrepreneur make. He rather resembles one of the "grey men", who run the time [savings] bank in Michael Ende's story "Momo". For these grey men meaning is constituted by purchasing the time that human beings 'have on hand', whereby they strip them of their 'wasteful' human interrelations and deprive them of their happiness.

(2) That the answer to the question of meaning is not one of entrepreneurial disposition - that it cannot be produced, but can only be accepted as a gift- this fact will be grasped by the entrepreneur first and foremost in the context of the family - in the shared life with spouse and children. His sense of beauty, measure and proportion will point him away from the sphere of producing and thus bring him closer to the mysteries of life. His trust in God does not entail a lessening of self-confidence. On the contrary, such trust will protect him from becoming a go-getter who is steadily lured by his own hubris; and it will teach him to combine dynamics with humility, energy with calmness and combativeness with contemplation.

(3) If church attendance serves as something of a measure of trusting in God, then entrepreneurs tend to stay away from the sanctuary: 26 % never attend, 41 % rarely attend and 23 % do so only intermittently. Of the remaining 10 % who attend church frequently or regularly, a goodly number " will keep their Christianity concealed" and behave like Joseph of Arimathea, whom the Bible depicts as a rich man and as a respected member of the council, who was a disciple of Jesus, but secretly, for fear of the Jews. Or they will act like Nicodemus, also a much respected man of the Pharisees, who only dared to come to Jesus by night in order to seek his views on life after death in the Kingdom of God.

In order to find the strength to trust in God and to gain the answer to the question of meaning - and thus be enabled to ethically reflect his obligations -the entrepreneur is in need of help by the Christian Churches. But he also needs the help of his peers. Entrepreneurial associations can help provide an orientation, especially when they have grown out of a shared religious or moral interest. And lastly, an event like this annual gathering can offer a useful opportunity to examine issues beyond supply and demand.