Draft: Work in Progress

EDUCATING HIGHLY PRINCIPLED LEADERS

CATHOLIC SOCIAL PRINCIPLES FOR BUSINESS EDUCATION

Jeanne Buckeye, Kenneth Goodpaster, Robert Kennedy, T. Dean Maines and Michael Naughton[1]

Abstract: This essay engages the vision of the Opus College of Business at the University of St. Thomas with the principles of the Catholic social tradition. By linking the substance of the Catholic social principles with business theory and practice, we hope to express a unique and distinctive mission for business education at St. Thomas. This essay is a draft; we hope that through the conversation it inspires, it will mature and become an even more meaningful and useful document.

The vision statement for the Opus College of Business (OCB) aims at "excellence in educating highly principled global business leaders." The statement raises some obvious questions: What does it mean to be "highly principled?" Is the reference to moral principles, spiritual principles, economic principles, management principles? What are their sources? Which ones can guide our graduates throughout their professional careers? Realizing that the practical value of the OCB vision requires reflection on just such questions, the authors hope to advance an understanding of principled leadership that will be shared widely within the College.

Our aspiration to foster highly principled leadership among our graduates challenges faculty to first examine our own beliefs, commitments and principles. How can we succeed in educating highly principled leaders without a shared understanding of what that means? In the words of a Latin proverb, *nemo dat quod non habet* ("nobody gives what he does not have"). Exactly what must we do or say to inspire students to act with strong principles as business leaders? Can we—*must* we—as a faculty also agree on these principles? If so, how can a faculty, drawn from multiple disciplines and diverse in their social values and faith traditions, develop a shared and substantive understanding of these principles? What implications for teaching and research arise from a commitment to excellence in educating highly principled leaders?

Our exploration of principle immediately reveals tension between different facets of the College's life. On the one hand, OCB's institutional parent is a university rooted in the Catholic faith and its liberal arts tradition. Each tradition has well-articulated, defensible principles reflecting both faith and reason. The body of ideas known as "Catholic social thought," the primary subject of this essay, are principles intended to give moral guidance for economic and

[1] All the authors are from the Opus College of Business who direct or participate in the following programs that foster the Catholic mission and identity of the University of St. Thomas: the John A. Ryan Institute for Catholic Social Thought and the Murphy Institute for Catholic Thought, Law and Public Policy of the Center for Catholic Studies, and the Koch Chair in Business Ethics and SAIP Institute of the Opus College of Business.

organizational decisions. The principles emerge from the interdisciplinary pursuit of knowledge that characterizes liberal arts, and from Catholic faith, culture and a centuries-old moral vision.

On the other hand, OCB operates within a pluralistic culture, with individuals who may neither understand nor accept the principles of Catholic social thought, and who may also not embrace the liberal arts philosophy. Faculty represent different disciplines whose working assumptions in the areas of spiritual, religious and moral beliefs can differ dramatically from those of their students, colleagues and the wider community.

An honest recognition of tensions between our institutional tradition and our makeup as a community raises other difficult questions: How can OCB educate "highly principled global business leaders" in a manner that engages its own religious roots and yet speaks to the culture in which it operates? How does it avoid "imposing" a particular faith tradition, while simultaneously eschewing a weak moral pluralism that rests on little more than a minimal common denominator as shared ground for thought and action?

These complex questions obviously cannot be fully resolved here, but we do believe that if we are clear about what we mean by "principled," if we are clear about what moral and social principles a Catholic business school ought to provide, and if we clarify the limitations of principles as a form of moral discourse, we will help address these complex questions creatively and productively.

I. DEFINING "PRINCIPLED"

Etymologically, the term "principle" comes from the Latin *principium*, meaning "beginning," "origin" or "groundwork." This derivation suggests that principles are, in some sense, *foundational*. Whether used in science, philosophy or business, the term "principle" describes a "fundamental truth or proposition that serves as the foundation for a system of belief or behavior or for a chain of reasoning."[2] Principles indicate our starting points, our basic convictions. Understood in this way, a principle expresses more than a personal preference. Principles illuminate reality.

As a rule governing personal or institutional conduct, a principle points us toward behaviors and attitudes that help us to flourish as persons. We all have principles of one kind or another, some acquired so early in life and others so fundamental to our way of thinking that we may not describe them as principles at all. Some are embedded in colloquial phrases (e.g., "common decency demands…"), and still others are expressed in the highest language of our cultures (e.g., "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights…"). We all use principles in our decision-making, though we may not be immediately aware of them. It is valuable, therefore, to occasionally reflect on exactly what our principles are and on whether they are satisfactory.

For the past one hundred twenty years, the Catholic social tradition has offered a set of moral principles to serve as foundational prescriptions for business conduct. The tradition offers a set of principles congruent with the values of the University and OCB, principles that are internally

[2] From The Oxford Pocket Dictionary of Current English http://www.highbeam.com/doc/1O999-principle.html.

coherent and based on moral propositions that recognize the value of both persons and organizations. These are prescriptive guides intended to direct human actions toward a good or a value that we are called to protect, promote, or perform. They foster judgment detached from the impatience of expediency (get it done now), from the pressure of the system (incentives and rewards), from the weight of technical instruments (detachment), and from the pursuit of mere self-interest (selfishness). Before examining these prescriptions, however, let us clarify the tradition from which they stem.

II. CLARIFYING THE CATHOLIC SOCIAL TRADITION

The body of ideas referred to as the "Catholic social tradition" offers valuable help in identifying shared ground for principled thought and action. It does so in language and concepts that, while embedded in the Catholic university's institutional heritage, also speak uniquely and directly to the economic, managerial and cultural issues that are the content and purpose of business education. The Catholic social tradition speaks from the center of its own faith, and in terms that seek intelligent, public dialogue with those who, though not sharing that faith, share its concerns for justice, stewardship and community. It is a tradition that is robust and clear enough to engage both the world of the academy and the world of business. It respects the autonomy of the disciplines and of faculty, yet asks them to consider the moral and spiritual meaning of their work. The Catholic social tradition offers principles rooted in convictions about the human person that have been examined and polished by many minds over many years.

In practice, the tradition has applied four criteria in identifying, critiquing and refining these principles. Every principle must be: (1) theologically grounded, (2) publicly argued, (3) comprehensively engaged and (4) institutionally embodied. A deeper look at these characteristics reveals their individual and combined strength.

Theologically Grounded: Grounded in a theological vision, Catholic social principles are proposed as universal and essential to moral and spiritual order. They help us remember who, as humans, we most authentically are and what we are really about: that we are created in God's image and likeness; that, although fallen, we are destined for greatness in God's kingdom, both here on earth and in heaven; and that we journey together to God by growing in holiness, love and other virtues in everything we do. For those in the modern academy who privatize faith and relegate religion and spirituality to the sphere of mere opinion, such theological assertions may seem inappropriate, even tyrannical, in a business context; such absolute claims, they say, dip the meddling fingers of dogma into the efficient, open society of the free market. These academics tend to separate facts and values, to prefer descriptive to normative analysis, and to view business as business only, isolated from the personal, communal or moral dimensions of life. According to the Catholic social tradition, however, such forms of compartmentalization are themselves normative approaches that undermine the theological claim that business has an inherent moral and spiritual purpose.

Publicly Argued: While the Catholic social tradition is deeply theological and spiritual, it is not sectarian. It is not interested in talking only to itself, but desires to speak to all people of good will. It claims no monopoly on the good, but honors and learns from what is true and good in all

traditions. This tradition has confidence in reason, which is why it has invested in educational institutions, and why it often speaks in terms of natural law, a moral law that is inscribed on the hearts of all persons. Precisely because of its belief in the natural law, the Catholic social tradition has confidence that its principles can be placed in dialogue with the world in a way that makes them intelligible and accessible to people of all backgrounds, religious or secular, because we are all human beings. This confidence is reflected in encyclicals and conciliar documents that are addressed to "all people of good will." The popes and bishops not only think that they can maintain dialogue with Jews, Muslims, Hindus, Buddhists, ethical humanists and atheists; they also believe that their discourse can lead to mutual collaboration in order to make a better world.

Comprehensively Engaged: An important characteristic of this publicly argued conversation over the principles is that the debate is interdisciplinary—that is, it has a comprehensive character to it. This *should* be obvious within a Catholic university that stresses both the liberal arts and professional education. Unfortunately, it is not. The values, incentives and politics of academic disciplines create and reinforce the tendency toward silo-like structures within the university. The result often impedes interdisciplinary research and teaching. Because the Catholic social tradition refuses to leave any branch of knowledge out of the discussion, it lends itself to bridging the divides in academic institutions and to creating a conversation in which all parties have a welcome and necessary voice.

***Institutionally Embodied*:** The Catholic social tradition insists that virtues such as justice and prudence (i.e., practical wisdom) be embodied in relationships that range from the family and the workplace to larger economic and political systems. Businesspeople are called by the tradition to implement its principles in the social structures in which they most immediately participate. Their challenge is to foster conditions in which people can develop and thrive. Unfortunately, professional education (and in particular business education) can distort the virtue of practical wisdom that connects moral and spiritual principles with organizational practices and policies by instrumentalizing ethical decision-making to serve exclusively bottom-line concerns.

Much more can be said about the Catholic social tradition. Once we understand it as a theological tradition that welcomes broad interdisciplinary input and public debate for the sake of improving institutions, we can begin to sense the rich possibilities it offers as the foundation for a shared understanding of OCB's vision. The following sections begin to explore what the shared principles look like and how they may shape our thinking as we pursue excellence in educating highly principled global business leaders. Our purpose is to advance a conversation that will yield greater clarity and substance for OCB's vision, and ultimately, to give greater meaning and value to the work to which all of us have dedicated our professional lives.

III. Catholic Social Principles

The Catholic social tradition offers a set of integrated principles that allow us to see what we look like at our best, pointing toward a particular view of the human person and of human flourishing within community. They envision the human person as at once physical and spiritual, individual and social, reasonable and faithful, morally free and responsible. This understanding

of the human person obliges a Catholic business school to educate the *whole* student, engaging him or her with attention to faith and reason, virtue and *techne*, vocation and work, principle and policy, using an approach that encourages the student to see things whole.

From first order convictions (human dignity and the common good) flow other organizational principles (e.g., dignity of work, community of work, subsidiarity, participation). Congruence between these principles and the conventional "body of knowledge" of business education is possible. Yet they may also be in tension with the economic paradigm that is embedded in so much business theory and practice.

A. First Order Convictions: Human Dignity and the Common Good

Human Dignity: At the heart of the Catholic social tradition is the conviction that each individual human being possesses intrinsic worth simply by virtue of his or her existence as human. This worth is not merely a static attribute of the person, but rather a dynamic attribute that enables an individual to become whom he or she is created to be. Men and women possess an inherent dignity precisely because they are made in God's image and are called to be in community with God and with other human beings. Catholic theology and many other religious traditions understand God to be personal. Thus every human—every being made in God's image—is a *who*, not a what; a *someone*, not a something.

The Common Good: People, by nature, are relational and cannot develop a good life except through society. The common good principle calls us to be a community of persons working together for goods held in common (e.g., security and safety), strong families, good education, decent standards of living, honest political arrangements and a vibrant culture. What is good for us is linked inevitably to the good of others. We cannot become good persons unless we intend our lives to serve others' good as well as our own, and one vital way that we live for and with others is through institutions. Ordering our particular or individual goods to a common life, we begin to establish relationships that are more than contractual or mutually self-serving exchanges.

The language of "human dignity" and "the common good" corresponds to the tension that inevitably arises between the good of the one (the person) and the many (the organization or society). How do we respect each person without creating an individual entitlement culture that undermines the good of the whole? How do we work for the good of the institution and society without violating the dignity of each person? How might we encourage the many to work as one toward solutions that include the good of each individual and the group as well? A fundamental challenge of leadership is managing and harmonizing these tensions, promoting simultaneously the good of the individual and the good of the whole, connecting and integrating the two. The leader who struggles in the task of creating an organization may find in "human dignity" and "the common good" terms that describe these different but equally desirable goals.

Human dignity and the common good sometimes conflict with an economic paradigm that is dominant in much of business, a paradigm that assumes human beings are by nature solitary individuals and utility maximizers. Defined by self-interest and operating in a competitive world, this view claims, people act as rational opportunists seeking to satisfy their own preferences. Society is not *community*, but a collectivity—a context in which individuals fulfill their individual needs and wants. Were it possible to satisfy individual needs and desires without any

concern for others, says this model, so much the better, since social life inevitably imposes constraints on the pursuit of individual happiness. The "common good" of a society, it suggests, is best served by the balance of liberties and protections that maximize the practical opportunities available for individuals to pursue their self-interest.

B. Organizational Principles

Out of the Catholic social tradition's vision of human dignity and the common good flow principles that provide more specific guidance for organizations and decision-makers. Together, they offer a coherent and consistent basis for managerial theory and practice that simultaneously honors human dignity and serves the common good. Separately, each principle bears some resemblance to commonly accepted wisdom within business practice. Yet there are differences. Some of these differences are differences of *kind*, others of *degree*.

The Dignity of Work (and its Subjective Dimension). Through work people change objects and systems. Yet work has more than this *objective* capacity. It concerns *more* than goods and services. The worker, the *subject* of work, is also affected by his or her work; whether manager, nurse, engineer or janitor, the work changes the world *and* the worker. In the short term, work may lead to the worker's exhaustion, inspiration, weakness, vigor, dullness, stimulation. In the long run, work may affect a person's health, mental well-being, relationships and even spiritual destiny. Because work changes us, it has the potential either to enhance or to suppress human dignity. This is why "the sources of the dignity of work are to be sought primarily in the subjective dimension, not in the objective one."[3] In one sense, then, there is no difference between the one who pours the coffee and the one who runs the coffee company: both are workers, and their work has the potential either to develop or to suppress their personal growth and dignity.

In recent decades, business practice and research have emphasized quality of work life, enhanced job design and continual training, particularly in the area of intellectual skills, reflecting an understanding of the subjective nature of work. Yet emphasis on empirical and quantitative data in both practice and in scholarship still distances business from thinking too deeply about work's subjective dimension. Human resource management and strategic management, for example, often address labor as "human capital," a commodity owned by the worker and appropriately exchanged by means of the market. In this view, work's value lies almost exclusively in its objective and measurable dimensions. Effects external to the worker—production and wages or rewards—are what matter. From this perspective, work is good to the extent that it is useful to others and to the extent that it brings the worker more income or better experiences. An extreme example of this view holds that the only bad work is poorly compensated work. Human dignity and work's effects on the worker are obscured in the wage equation.

The Workplace as a Community of Work. John Paul II expresses the principle of a community of work in the following way: "It is characteristic of work that it first and foremost unites people. In this consists its social power: the power to build a community."[4] A challenge for any organization is to build a community of work where a group of people act toward a good

---

[3] John Paul II, *Laborem excercens*, 6.
[4] John Paul II, *Laborem exercens, 20.*

they can share in common, and where the authenticity of the organization is premised on *serving* those within the larger society. Work develops people when it enables them to overcome their "inborn egocentricity by joining with other people in a common task; and to bring forth the goods and services needed by all of us for a decent existence."[5] A community of work reveals to us that when we are at our best, our bonds of communion are not merely contracts or mutual self-interests but commitments to goods shared with employees, customers, suppliers, investors, society, and, ultimately, with God. These bonds contribute to better businesses *and* better lives.

A commonly accepted economic paradigm on the other hand, holds that the corporation is a nexus of contracts, not a community of work. According to this view the "first and foremost" purpose of a business is to maximize the wealth of the owners of the enterprise. All business activities are properly subordinated to this function, just as instrumental goals and activities are subordinated to a final goal. More specifically, the executives and managers of the enterprise, as agents of the owners, have a special duty to try to manage the wealth produced by the organization's activities for the benefit of its owners. While they are constrained in principle from engaging in illegal and unethical activities in pursuit of this goal, they should take advantage of any reasonable opportunities to maximize shareholders' wealth. Benefits conferred upon employees, customers, communities, suppliers and others must be justified in terms of the returns these benefits may reasonably be expected to bring to the owners of the company.

The Importance of Subsidiarity & Participation. "Subsidiarity" comes from the Latin *subsidium,* which means "assistance" or "help." In Catholic social thought, the concept of subsidiarity guides the distribution of authority, responsibility and accountability within organizations. It insists that decisions in hierarchical institutions should be made at the most appropriate level (division, department, group, etc.). Higher-level authorities carry responsibility for decisions and actions which affect an entire organization. These authorities should neither supplant nor absorb the work or responsibilities of those in lower levels. Furthermore, they ought to provide the necessary support—such as training, development and information—required to help those at lower levels exercise their responsibility effectively.

Several business disciplines—general management, operations and organizational behavior in particular—have been supportive of participative systems that better tap the talents and creativity of workers by pushing decision-making down into the organization. These systems typically are justified on the basis of their *instrumental* impacts: they result in employees who are more satisfied and hence more productive; they encourage responsiveness in problem-solving; and they lead to cost, quality and delivery improvements. At first glance, the principle of subsidiarity seems to be in harmony with this perspective. Yet subsidiarity insists that participation is not merely a good valued for its economic benefit. Participation also fosters human development; thus, it possesses a moral dimension. Absent meaningful participation, the human person is reduced to a mere cog in the production or service process. The challenge for the practically wise leader is determining the nature and degree of participation appropriate to different roles within the organization, and effectively integrating these decentralized activities so they benefit the entire firm.

---

[5] E.F. Schumacher, *Good Work* (New York: Harper and Row, 1979), 118.

The Universal Destination of Material Goods. If one accepts, as the Catholic social tradition does, that God's creation is intended for everyone—rich and poor, powerful and weak, now and in the future—then it logically follows that the earth's resources are conferred on humankind with a kind of "social mortgage."[6] Catholic social thought understands this obligation as applying to property and capital as well, suggesting that resources should be privately owned and used, but not entirely or exclusively for one's own interests. The principle of "the universal destination of goods and the right to common use of them,"[7] applies to the socioeconomic order as well as to individuals and businesses. The principle holds that businesses and their leaders must account for the distributive effect of goods and services in the way they set prices, allocate wages, share ownership, manage payables and so on. Their decisions should aim not at an *equal* but at a *just* distribution of wealth, which meets people's needs, rewards their contributions and risks, and preserves and promotes the organization's financial health. Denying legitimate access to the fruits of the earth, especially the means to sustain one's life, is a distortion of God's command to humanity to cultivate the earth, to care for it and to discover and use its potential. While profitability is the first indicator of organizational health, it is neither the only one, nor the most important one by which business should be judged.

Compare this to the dominant paradigm guiding business theory and practice that looks only to market forces to determine a just distribution of wealth. This view holds that wealth properly belongs to those who make, or are capable of making, the greatest contribution to providing what the market values most highly, as mediated through the impersonal forces of supply and demand. Society benefits to the extent that the most talented and skillful people make energetic use of their talents and skills, but these people require financial incentives. So rewarding the best and the brightest may result in vast inequalities in the distribution of income and property; however, society is still better off overall and should tolerate such inequities as the unavoidable byproduct of economic progress. [8]

Stewardship. Good stewards, as Scripture points out, are productive with the goods that have been placed in their care (Mt. 25:14-30). As heirs of a patrimony that includes the natural resources of the earth as well as the fruits of the work of their predecessors, leaders realize that they are not the ultimate owners of the gifts entrusted to them; rather, these goods and abilities are an inheritance which they are called to care for and build up. Instead of merely taking from creation's abundance, they must use their talents and skills to produce more from what has been given to them. They are called upon to make organizations stronger and more durable for the future so they can serve the common good. Good stewardship entails effective use of resources, i.e., generating greater outputs from inputs, as indicated by reasonable levels of revenue, profit, market share, productivity, efficiency, innovation and return on investment. It demands constantly reducing waste within the various operations of the business. If wealth is not created, it cannot be distributed, thus limiting the potential suggested in the principle of the universal destination of goods. In daily practice, all business disciplines performed with excellence embody this stewardship thinking.

---

[6] John Paul II, *Sollicitudo rei socialis,* 42.
[7] John Paul II, *Laborem exercens,* 14.
[8] See William G. Sumner, *The Challenge of Facts and other Essays* (The New Haven: Yale University Press, 1914).

There are other Catholic social principles that relate to business and organizational life. Solidarity with the poor, care for the environment, the priority of labor over capital and the right to association are examples. Some of the principles resonate with current business disciplines and practices, others do not. Perhaps the biggest contrast between Catholic social principles and conventional business theory and practice stems from the view of *rationality* that lies in the background. Some business disciplines tend to reduce business activity to maximizing shareholder wealth as though leaders in business were merely economic technicians whose main task is to increase wealth for capital holders. Catholic social tradition argues instead for a *moral* rationality, for business leaders to try to create conditions that serve their customers' real needs, to develop the people who are the community of work, and to serve the common good of the civic community. This relationship between means and ends takes seriously the right ordering of one's personal character within business. It also takes seriously the possibilities of that right ordering to deepen and strengthen the communal life within business.

IV. The Limitations of Principles

Taken together, the principles of Catholic social thought help generate a moral and spiritual understanding of organizational life. They can open leaders to new (and renewed) forms of effective action. They are not intended as moral abstractions or policy checklists; rather, they remind us that organizational leaders are called to do great things in their work.

As important as these principles are to organizational life, however, we should not ask more from them than they can deliver. No principle can replace experienced decision-makers and their practical wisdom. Principles do not specifically instruct us as to how they may be realized in the concrete situations of daily work. They do not provide blueprints or technical solutions, nor are they meant to. Principles indicate a direction, but they do not show the way. Furthermore, principles cannot replace virtues, those life-enhancing habits and qualities of character that are essential to any "principled person."

When leaders move from principles to practices, they enter into complex and messy tasks, where necessary solutions cannot be reduced to moral, financial or operational formulas. For example, there is no Catholic recipe for how to do layoffs or pay a just wage or hire fairly. Nevertheless, the principles provide morally helpful guidelines and orientations. If they are embraced by practically wise—prudent—leaders, they can help create the foundation for an authentic community of work.

Finally, while Catholic social principles help us capture and universalize a vision of what "we are like at our best," too often we are less than our best. This is not something to be proud of, but it must be faced honestly. We need "to make friends with hypocrisy." Too often we become defensive about our actions, rejecting concerns raised by others and failing to examine our shortcomings to see what they can teach us. We should, instead, remember that we have not quite arrived; that the rich purpose and high ideals of our principles may not fully permeate the specific activities, work routines, general policies and outcomes of our organizations. We may find ourselves attracted to the noble aspirations articulated by these principles, yet unable or unwilling to do the difficult work of connecting them to specific policies, processes, practices,

metrics or organizational outcomes. So we settle for managing appearances rather than making substantive changes. In the words of Andre Delbecq, "We seem to have a sense of what we yearn for, but behavioral specificity is thin."

CONCLUSION

There is obviously more to be said about Catholic social principles and about the nature of "principled leadership" in general—about what constitutes a worthy principle, the limits of principles, the relationship between principles and virtues and duties and so forth. The question for us in the OCB is how we can participate together in the vision of "educating highly principled global business leaders." If we can better understand the relationship between the deepest dimensions of our Catholic mission and identity and the increasing complexity of business education, if we can effectively engage the question of *which* "principles" we can bring to students as a coherent, practical and integrated whole, then we may become a beacon of light in this world, rather than just another purveyor of degrees.

Our primary interest in writing this essay has been to invite a deeper look into the possibilities offered by OCB's identity and our shared vision as a Catholic business school. We are convinced that the principles of Catholic social thought support our desire for excellence in educating highly principled leaders; they also hold promise in helping us shape and maintain our own vibrant community of work. Success depends on our collective desire to explore the distinctiveness of the Opus College of Business. We look forward to the conversation.