

# **The Evolution of Management Theory in Relation to Catholic Social Thought**

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The purpose of this paper is to explore whether a Catholic understanding of the person and the person in community can offer insights into the practice and the pedagogy of management. We trace the evolution of management theory through three major stages of development beginning with the Industrial Revolution, consider management theory in light of Catholic social thought, and identify instances of convergence and divergence between the two perspectives. The audience for this paper includes business educators at Catholic colleges and universities and others engaged in the mission of Catholic higher education.

## **The Nature of Management**

The academic field of management is complex, consisting of many related sub-disciplines, and evolving. This complexity is reflected in the organizational structure of The Academy of Management, the professional association for scholars in the field dedicated to creating and disseminating knowledge about management and organizations. The Academy is comprised of 24 divisions, including such fields of study as Business Policy and Strategy, Human Resources, Entrepreneurship, Organizational Behavior, Operations, and Organization Development and Change, to name a few. Despite the complexity, any definition of management must include at least two common components – people and organizational goals. Management is a process of working with people and resources to achieve organizational goals (Certo and Certo, 2009, p 8). A manager coordinates and oversees the work of other people so that the goals of the organization can be accomplished (Robbins and Coulter, 2009, p 5).

Thus, management is fundamentally a human endeavor – it is about people and communities working to achieve objectives. For those who teach or practice management, any field of study that provides insights into human nature and how individuals and communities function is worthy of consideration insofar as it provides insights into managing people and organizations. Catholic Social Teaching (CST) is one such humanistic tradition of inquiry. It articulates the dignity and social nature of each person and explores how a Christian understanding of the person can support and enhance human institutions and practices, including the practice of management.

Most business schools have embraced a focus on mission and, indeed, accreditation standards for AACSB state that business schools are required to publish “a mission statement or its equivalent that provides direction for making decisions” (AACSB, Section 2, Standard 1) and that is “appropriate to higher education for management and *consonant with the mission of any institution of which the school is a part*” (AACSB, Section 2, Standard 2, emphasis added). Coinciding with this increased focus on mission, some in higher education at Catholic colleges and universities are questioning whether business education at Catholic institutions should reflect

the Catholic character of the mission of the larger university. We contend that it should and hope to shed some light on how that may be accomplished.

### **The Evolution of Management Thought**

The Great Wall of China and the castles of Ireland are a just a few examples of the enduring evidence of the long-standing practice of management. Historians claim, however, that it wasn't until the early 1900s that the theories and principles of management were first developed and codified (Robbins and Coulter, 2009, p. 25):

“Starting in the late 18<sup>th</sup> century (and the Industrial Revolution) when machine power was substituted for human power, it became more economical to manufacture goods in factories rather than homes. These large, efficient factories needed someone to forecast demand, ensure that enough material was on hand to make products, assign tasks to people, direct daily activities, and so forth. The “someone” was managers, and these managers would need formal theories to guide them in running these large organizations.”

Thus began our modern development and understanding of the theories of management. Since its inception the focus of management theories – on people, resources and achieving organizational goals – has not wavered. What has changed, however, are the field's understandings and assumptions about both people and organizations. Regarding people, as the field has evolved and matured, so too has its understanding of human nature and how to effectively manage people in organizations. Regarding organizations, what has changed is the understanding of the nature of the firm and the key to competitive advantage. These changes are summarized in Table 1 and discussed briefly below.

**Table 1**

<b>School of Thought</b>	<b>Focus</b>	<b>Human Nature</b>	<b>Competitive Advantage</b>
Classical	-The Physical Task -Industrial Engineering; Time and Motion Studies	-Body, Physical -Worker as factor of production	Efficiency of Workers, Scale of Production, Capital
Behavioral	-Social and Psychological Aspects of Work -Hawthorne Studies	-Social, Psychological	Organization design, Group dynamics, Leadership, Motivation
Contemporary	-Innovation and Change -Information Age -Resource Based View of the Firm	-Knowledge Worker	Knowledge, Skills, Intellectual Capital, Value creation, Innovation

At least three major schools of thought are evident in the evolution of management theory, beginning with Classical Management. Early theories of management from this period in the late 1800s and early 1900s held very simplified and limiting assumptions about “the worker.” This was partly due to the composition of the workforce which was largely uneducated by today’s standards and included children (there were no child labor laws) and a large contingent of immigrants who did not speak the English language. The nature of the work, typically manual labor and shop floor jobs, also contributed to the prevailing beliefs about what constituted good management practices and the incomplete assumptions about people that underlay those management principles. Frederick Taylor, the father of Scientific Management, emphasized worker efficiency and productivity by employing time and motion studies to define precisely how each task was to be performed, specifying tools, equipment and the “one best way” for the worker to complete the task. Workers were an extension of the machines and tools of their trade. They were human factors of production, needed primarily for their physical labor not for the full range of intelligence, emotions, values, skills and traits that made them fully human. Classical management assumed workers were motivated primarily by financial incentives. What emerged was a set of management theories, emphasizing a command and control approach, based on a severely limited and flawed view of human nature.

The Hawthorne Studies, a series of experiments at the Western Electric Company in Illinois in the 1920s and 1930s, provided new insights into the nature of the human person at work and how best to manage people and organizations. The experiments, which began as a study of scientific management to find the best levels of lighting in a plant to maximize worker productivity, led instead to a new emphasis on human behavior at work. The Behavioral school of thought broadened the emphasis from the physical to the social and psychological aspects of work and the worker. Individual behavior and productivity were influenced by social norms and group expectations as well as by the physical design of the working environment and the tools, equipment and motions of the worker. Individuals were influenced and motivated not only by the prospects of financial rewards but by group standards and dynamics. New management theories emerged based on a more complete though still inadequate set of assumptions about individual behavior and the human person at work.

Contemporary theories of management go further still in recognizing the complexity of the human person at work. Business visionary, Peter Drucker, known as the Father of Modern Management, coined the term “knowledge worker.” Drucker argued that the development of the computer and the advent of the “Information Age” have fundamentally changed the nature of work and the sources of competitive advantage, and have placed a premium on the knowledge worker (Drucker, *The New Realities*, 2003). These changes have ushered in a new era, “a new basic civilization.” The world of the past was mechanical and based on rational and analytical thinking and management theories. The new civilization, based on information and knowledge work, is characterized instead by perception and intuition. “In this world, management - which must deal with people’s values, growth and development in order to foster joint cooperation - is a chief branch of the humanities” (Hardy, *Peter Drucker: Perception As Survival Skill*, Forbes.com, October 9, 2009).

Commenting on these changes more than a decade ago, we wrote: “As markets become more globally competitive and technology more advanced, many organizations have found it

increasingly difficult to sustain a competitive advantage. Witness the decline of some of the corporate icons of American business success, including Sears, IBM, Westinghouse and General Motors (Drucker, 1993). With markets more dynamic and competitive advantage more fleeting, organizations have been exhorted to develop the capacity to produce an ongoing flow of innovation to achieve and sustain a competitive advantage (Werther & Kerr, 1995; Liedtka, 1996). The capacity to achieve ongoing organizational innovation requires a fundamentally different approach to managing employees than the centralized, control-oriented approach of Frederick Taylor” (Porth, McCall and Bausch, 1999, p 211).

The new realities of managing have coincided with new assumptions about people. The task of managers is no longer to command and control employees (at least not when managing knowledge workers) but to create an environment where human beings, united in purpose and in community, can flourish; an environment that fosters the development and sharing of knowledge, creativity and innovation. The idealized version of this organization is one in which employee motivation and behavior are not influenced solely by money, but by a variety of factors including the challenge of the work itself, a sense of meaning and shared mission, and an opportunity to develop, create and flourish on the job. This type of management approach requires a deeper and fuller understanding of the humanity of the employee/worker. We contend that the humanistic tradition of Catholic Social Teaching is a rich source of this fuller understanding of the nature of the human person.

## **CST and Management**

So, mainstream management theory has evolved over decades to a more complex and humane understanding of employees and their working communities. Modern Catholic Social Thought has been there for 120 years.

Modern CST dates from Pope Leo XIII’s 1891 encyclical *Rerum Novarum*. The “rerum novarum” (new things) Leo addressed in the encyclical were the facts of life for workers in the newly industrialized economy. In the nearly 120 years since Leo, encyclical teachings from a succession of pontiffs, as well as contributions from Catholic intellectuals such as John Courtney Murray and John A. Ryan, have added to the depth and complexity of CST on economics, business and work. This section will outline the major themes of CST and will identify how those have been applied to business and work.

CST is most frequently described as a series of moral principles. The most commonly cited principles of CST include the Principle of Human Dignity, the Principle of the Common Good, the Principle of Subsidiarity, and the Principle of Solidarity. Later in this essay, we will follow suit and discuss the specific content of CST by focusing on these principles. However, an exclusive emphasis on principles can obscure important features of CST, such as the degree to which it has deep roots in Thomistic and Aristotelian ethics. At its core, CST is not a set of principles but rather a set of beliefs about human flourishing and about the institutional structures that are practically necessary for promoting that flourishing.

The Principle of Human Dignity is often held to be the centerpiece of CST and a brief look at how it is treated in the tradition will confirm the above perspective. By itself, ‘human dignity’ is a rather vague expression. However, the CST tradition contains quite a large body of material that

operationalizes this otherwise vague concept. The encyclicals define human dignity by reference to goods that are constitutive of a fully human existence. These include material and economic goods such as food, clothing, housing, education and work (*Gaudium et Spes*, 26). According to the teachings of the CST tradition, it is an affront to human dignity when persons lack these conditions for a decent life. True to its Aristotelian roots, however, CST also identifies as constitutive of human flourishing the ability to exercise one's free will and the ability to join with others in community. The natural state of persons is in community with others and social life is a necessary condition for a fully human existence (*GS*, 25). In the CST tradition, then, respect for the dignity of the person requires that individuals possess those conditions that constitute a decent and specifically human existence. It regards possession of those goods as a matter of human right, as the catalog of rights in *Pacem in Terris* reveals (*PT*, 11-16). As the U.S. Bishops stated in their pastoral letter *Economic Justice for All*, human rights specify the morally minimum conditions for life in community. In thus linking dignity, the goods that constitute a flourishing human existence, and human rights, the CST tradition is able to bridge the falsely perceived gap between Aristotelian teleology and modern human rights doctrine.

CST evaluates institutional structures according to how they impede or promote such human flourishing and rights. As the U.S. Bishops stated in *Economic Justice for All*, "Every perspective on economic life that is human, moral, and Christian must be shaped by three questions: What does the economy do for people? What does it do to people? And how do people participate in it?" (*EJA*, 1) The Principles of the Common Good, of Solidarity and of Subsidiarity are used to explicate the Church's views on questions such as these. Institutions are in accord with these principles when they are designed and operate to provide each and all the conditions of a flourishing human life (Common Good), when they allow people the autonomy to direct their affairs at the most local institutional level possible (Subsidiarity) and when they encourage each to recognize his/her responsibilities for assuring the rights of others (Solidarity). [To avoid misunderstanding, it should be noted that the Catholic conception of the Common Good is not a simple Utilitarian calculation of aggregate welfare, under which some might be consigned to destitution as the price of greater net happiness. Rather, the Catholic conception is one that regards the common good as achieved only when each and all are treated with dignity and respect, when each and all have the necessities of a decent life.]

CST, then, is fundamentally about identifying the conditions for human flourishing and the institutional structures that promote that flourishing. Its principles and its commitment to human rights are a direct outgrowth of its understanding of the dignity of persons.

Given its focus on institutional impacts on human lives, it is not surprising that from its earliest expression in *Rerum Novarum*, modern CST has had much to say about the management of business. From broad strategic questions about the purpose of business to more specific questions about wages and working conditions, CST has not been reticent about offering moral direction. John Paul II expresses a century of thought about business when he states in *Centesimus Annus*

The Church acknowledges the legitimate role of profit as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have

been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm's condition. It is possible for the financial accounts to be in order, and yet for the people--who make up the firm's most valuable asset--to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency. In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society. Profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business. (CA, 35)

CST does not confuse the purpose of business with the motives some persons in business might possess. The purpose of this essentially social institution is to allow persons the opportunity to exercise their human capacity, to join with others in co-creating, and to provide goods and services which people need. Indeed, even an individual's motive of profit under CST must be constrained by recognition of one's responsibilities to others. As John Paul II again states "the right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone." (*Laborem Exercens*, 14) The Principle of Solidarity obliges those with abundance to share their good fortune with the marginalized. So, CST does not see business as an institution whose primary purpose is profit and it regards the profit motive as acceptable only when limited in scope by a concern for the dignity of others and for the common good.

Starting with *Rerum Novarum*, CST has also consistently held that workers are entitled to a just wage that allows them to support their families in dignity. *Pacem in Terris* states "the worker has a right to a wage determined according to criteria of justice, and sufficient, therefore, in proportion to the available resources, to give the worker and his family a standard of living in keeping with the dignity of the human person." (*PT*, 20) *Gaudium et Spes* asserts "payment for labor must be such as to furnish a man with the means to cultivate his own material, social, culture and spiritual life worthily, and that of his dependents." (*GS*, 67)

Beyond wages, CST offers prescriptions on working conditions. We will address two interrelated ones: job security and participation. In the pastoral letter *Economic Justice for All*, the U.S. bishops stated

...technological change and international competition can be the occasion of painful decisions leading to the loss of jobs or wage reductions. While such decisions may sometimes be necessary, a collaborative and mutually accountable model of industrial organization would mean that workers not be expected to carry all the burdens of an economy in transition. Management and investors must also accept their share of sacrifices, especially when management is thinking of closing a plant or transferring capital to a seemingly more lucrative or competitive activity. The capital at the disposal of management is in part the product of the labor of those who have toiled in the company over the years, including currently employed workers. As a minimum, workers have a right to be informed in advance when such decisions are under consideration, a

right to negotiate with management about possible alternatives, and a right to fair compensation and assistance with retraining and relocation expenses should these be necessary. Since even these minimal rights are jeopardized without collective negotiation, industrial cooperation requires a strong role for labor unions in our changing economy. (EJA, 303)

In this passage, the bishops recognize the critical importance of work for persons' lives. Earlier in the same document, they noted the three-fold significance of work: it is a principal vehicle for self-expression and self-realization in modern society; it is the principal way for people to fulfill their material needs; and it gives people an ability to contribute to the welfare of the larger community (EJA, 97). The objective significance of work for persons' material and social needs makes the loss of a job especially significant. However, the bishops also recognize the subjective import of work as a place where persons develop social ties and community, where they experience (or fail to experience) the power of persons as stewards and co-creators of their human environment, and where they derive meaning and identity. The bishops argue that workers have rights to some cushion in both time and compensation as well as to participate in the decisions about the future of the workplace.

The papal encyclicals also urge that employees be able to participate, not just in economic life through being employed, but also in decisions at work. John XXIII in *Mater et Magistra* suggests that businesses "must not treat those employees who spend their days in service with the firm as though they were mere cogs in the machinery, denying them any opportunity of expressing their wishes or bringing their experience to bear on the work in hand, and keeping them entirely passive in regard to decisions that regulate their activity." (MM, 92) Similarly, John Paul II in *Centesimus Annus* reflects the central role intellect and free will play in human dignity when he acknowledges the legitimacy of workers' "efforts to obtain full respect for their dignity and to gain broader areas of participation in the life of industrial enterprises..." (CA, 43) The Principle of Subsidiarity, through its recommendation that decisions be made at the most immediate level possible, has also given support to providing workers with a voice in workplace decisions (Mele).

In these passages, CST suggests that businesses operate in ways that respect the dignity of persons when they assure that workers are able to exercise their full human capacities at work while also being able to gain the material goods needed for full participation in the life of a community. Fair wages, severance pay and assistance in layoffs, and employee participation in decision-making are held out as ways in which work can be designed and administered to lead more effectively to human flourishing.

We should note that in appealing to these principles and in offering recommendations on economics and business, the Church follows Thomas and Aristotle in that it regards morality not as an area of scientific knowledge or demonstrative certainty but as an arena requiring practical wisdom, *phronesis*, in reaching judgments about complex circumstances. A developed capacity for practical reason is needed in order to apply the principles to the specifics of a given case. Ethical action requires careful conceptual analysis but also attention to empirical realities. Facts matter and those facts can have impacts on judgments about which strategies best achieve the

objective of human flourishing. The exercise of practical reason will involve an ongoing dialogue in order to adequately apply principles to cases (Carson).

We should also note, however, that this recognition of the epistemic condition of moral judgment does not mean that the Church subscribes to a relativistic situational ethics. Its commitments to a substantive conception of human dignity and to the common good provide strong prescriptive basis, if not a scientific certainty, for judgments about actions and policies that impact human flourishing (Jonsen).

It is clear that CST has much to say about a range of management topics. In the first section above, we suggested that as one reason for management faculty to pay attention to CST. We also suggested that the very fact that faculty are teaching at a Catholic institution should be a reason for them to take CST seriously in their teaching. While we believe that those are good reasons for introducing ideas from CST into the management curriculum, we suspect that they may not be reasons that gain enough purchase with management faculty. The current state of affairs at most Catholic schools of business is that the faculty are similar to faculty at most other institutions. They have been trained in a technical field of expertise and they have been socialized to communicate the knowledge of that specific field to their students. Asking them to introduce CST for the reasons already given may find resistance based in concerns of competence or of academic freedom to teach one's discipline. Happily, however, the reasons given do not exhaust those available for enticing our faculty into dialogue with CST. If we can show faculty that many of the perennial ideas from CST are now subjects of serious consideration in contemporary management, we might have a better chance of convincing them to engage. We might, as it were, teach them that they are already teaching ideas from CST. That accomplished, there would be little reason against taking the next step to a more self-conscious and explicit acknowledgement of CST in their pedagogy. In the next sections, we sketch how management faculty might be brought to see how their current disciplines and sub-disciplines reflect the same problematics and positions that have defined a century of Catholic Social Thought. As examples we focus on two central areas of Management: Strategy and HR.

### **A Catholic Perspective on the Strategy Course**

Strategic Management or Business Policy is a required capstone course in many undergraduate business and MBA programs. If we were to imagine, design and teach this course from a Catholic perspective, how might it look? Table 2 below identifies some of the topics covered in a Strategy course in the left column and the principles of Catholic Social Teaching along the top row. The matrix indicates where the topics and principles might intersect, although this is certainly not an exhaustive list. It is beyond the scope of this paper to address all of the potential intersections of Strategy topics and CST because there are so many. Below, however, we identify and discuss one of the most important ones.

**Table 2: Strategy and CST**

Strategy	Principles of CST						
	Human Dignity	Common Good	Subsidiarity (Family & Community)	Option for the Poor & Vulnerable	Dignity of Work Rights of Workers	Solidarity	Stewardship (Care for God's creation)
The purpose of the firm	x	x		x			x
Vision, Mission and Core Values	x	x					x
Leaders and Leadership	x	x	x			x	
Organizational Structure and Design	x		x		x		
Globalization			x	x	x	x	x
Downsizing, Outsourcing	x	x			x		

If management, as we have stated, is a process of working with people to achieve organizational goals, strategic thinking begins with a fundamental understanding of the identity and purpose of the organization. What is the mission of the organization? Why does it exist? What are its goals? What does it aspire to become? These strategic questions beg a more general and philosophical question – what is the nature and purpose of business?

Traditional assumptions equating the purpose of business and the pursuit of profit are not only in conflict with Catholic teaching but also are being increasingly challenged by executives and educators alike. Critics have called for a reexamination of the assumptions underlying business education. In his open letter to the deans and the faculties of American business schools, Ian Mitroff (2004) states:

“To be perfectly clear, I am arguing that the philosophical foundations of business are in need of fundamental and serious revision. We have founded modern day management on a series of outmoded and highly dubious assumptions.”

Dave Packard of Hewlett and Packard once said, "I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately – they make a contribution to society, a phrase which sounds trite but is fundamental." (Handy, 2002, What's a Business For? *HBR*, 80 (12), page 7 of 8). Winkler (2008) echoes a similar theme from her experience as a successful CEO: “Every major business success seems to have started with an idea or a passion... These companies and the people involved made fortunes, not because money drove them, but because the idea, the passion, the love of what they did drove them. And the passion was a positive one—to make things better” (page 5).

Charles Handy (2002) makes the point succinctly: “But to turn shareholders' needs into a purpose is to be guilty of a logical confusion, to mistake a necessary condition for a sufficient one... The purpose of a business is not to make a profit, full stop. It is to make a profit so that the business can do something more or better.”

Business schools need to break out of the shackles of conventional theory to challenge the “philosophical foundations of business.” Catholic business schools are uniquely positioned to do so. Of course, profit and returns to shareholders are important and need to be managed, but they are a necessary not a sufficient condition for successful business. Catholic social teaching, particularly with its emphasis on the common good, stewardship and respect for human dignity, is a rich resource for a discussion of the purpose of business. A Catholic perspective on the purpose of business emphasizes the “contribution to society” and the “something more or better” acclaimed by the critics above.

Management professors who wish to address these issues have plenty of case material from which to choose. I have used the Johnson & Johnson case involving the Tylenol poisonings in 1982 as one way to engage students in a discussion of the purpose of business. After reviewing the tragic facts of the case, seven deaths from ingestion of cyanide-laced Tylenol, students are challenged to think about how they would have managed the crisis and what that means about the purpose of business. I challenge students to consider how J&J responded to the crisis, asking “At the initial meeting of the J&J response team, what do you think the team did first?” Students are often surprised to learn that the meeting began not with a review of facts or a definition of the problem, a situation analysis or a legal briefing. It started with a reading of the J&J corporate credo and the credo states very clearly that the company’s first responsibility is not to stockholders but to customers:

“We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services.... We are responsible to our employees... Our final responsibility is to our stockholders... When we operate

according to these principles, the stockholders should realize a fair return.” (J&J Corporate Credo)

More contemporary cases of the disastrous effects of confusing the pursuit of profit as the purpose of business are, unfortunately, plentiful. The New York Times reported in 2007 the case of Habana Health Care Center, a 150-bed nursing home in Tampa, FL.

The Center was struggling when “a group of large private investment firms purchased it and 48 other nursing homes in 2002. The facility’s managers quickly cut costs. Within months, the number of clinical registered nurses at the home was half what it had been a year earlier, records collected by the Centers for Medicare and Medicaid Services indicate. Budgets for nursing supplies, resident activities and other services also fell, according to Florida’s Agency for Health Care Administration.

The investors and operators were soon earning millions of dollars a year from their 49 homes. Residents fared less well. Over three years, 15 at Habana died from what their families contend was negligent care in lawsuits filed in state court. Regulators repeatedly warned the home that staff levels were below mandatory minimums. When regulators visited, they found malfunctioning fire doors, unhygienic kitchens and a resident using a leg brace that was broken.” (NYT, [www.nytimes.com](http://www.nytimes.com), September 23, 2007).

Despite these obvious problems, it remains true that the dominant message in most business schools continues to be that the purpose of business is to maximize shareholder value. However, recent scholarship has increasingly begun to question that model, and it increasingly has moved closer to the view of CST.

The influential Aspen Institute has held a series of programs to explore emerging attitudes about an expanded view of the corporate objective (<http://www.aspeninstitute.org/policy-work/business-society/purpose-of-corporation>). The Brookings Institute, as well, has hosted a series of prominent academic papers questioning the dominant model of corporate purpose (<http://www.brookings.edu/about/centers/effective-public-management/corporate-purpose>). Stakeholder theorist R. Edward Freeman and law professor Lynn Stout have both also questioned the legal, economic and ethical underpinnings of the narrative that asserts the purpose of business is the pursuit of profit.

In *The Myth of Shareholder Value* Stout argues that there is nothing in the law that demands managers seek to maximize return to investors. She suggests that the shareholder primacy perspective is nothing more than an ideological misreading of the law, which, contrary to that perspective, gives management extremely broad discretion to pursue what it believes is in the benefit of the corporation itself. She argues that effective management requires a balancing of the interests of a variety constituent groups, from shareholders, to employees, to suppliers, to the community at large.

Stout also notes that the shareholder value understanding of corporate purpose has an inadequate understanding of shareholders and relies on a faulty understanding of the relationship between shareholders and management. The shareholder primacy perspective depends on a view that

shareholders own the corporation and they are unified in desiring the maximization of their invested wealth. She notes that both of these underlying assumptions are flawed. First, shareholders do not own the corporation. They do not have all the rights typically vested in property owners. Rather, they at best have rights to receive dividends if the Board decides to declare dividends; they have limited rights to vote on corporate policy and Board membership; and they, along with creditors, have some claim to the assets of the firm in bankruptcy. Stout also underscores the fact that shareholders are a diverse group. Some invest for the short-term, some for the long term. Some invest merely for financial enrichment; others, because they believe in the mission of the firm. Stout concludes that seeing profit as the purpose of business is wrong as a matter of law and that the view rests on a flawed and overly abstract understanding of shareholders.

Ed Freeman adds to Stout's concerns about seeing profit as the purpose of business. Freeman's work has been at the center of a stakeholder alternative to the dominant shareholder model of the corporation. That alternative model parallels prescriptions of CST in that it sees the corporation as an organization that exists to satisfy the needs of a variety of stakeholders. In his recent "Managing for Stakeholders," Freeman claims that a shareholder value focus ignores basic ethics by deflecting responsibility for the impacts of corporate action on others. He proposes a view that sees business, and capitalism generally, as a system of social cooperation and collaboration, rather than a system of self-interested competition. In this, he, like Stout, expresses a view that moves management theory closer to the perspective of CST, that the purpose of business is ultimately to provide the goods and services that allow people to have flourishing human lives.

### **A Catholic Perspective on an HR Course**

Contemporary Human Resources courses have followed the evolution of management theory described in the first section above. No longer is a Taylorist perspective considered reasonable. HR theory now pays much more attention to identifying the conditions under which employees are most likely to be engaged, committed and productive corporate citizens. This, as noted, necessitates some attention to a more robust understanding of the person and of human motivation. While not every theoretical approach to HR will reflect the ideas of CST described above, it is becoming increasingly common for HR theorists to recommend increased employee voice, conditional job security and equitable sharing of corporate gains. The work on Strategic Human Resources emanating from the Labor and Employee Relations Association can be a source for establishing the overlap between CST and contemporary HR.

It is common to see in that research recommendations for such practices as cross-functional work, self-directed teams, flexible job assignments and gain-sharing. Both theoretical and case study evidence suggests that these practices are most likely to succeed when combined with conditional job security, employee voice, and other guaranteed employee rights. Employees who are asked to improve productivity or to invest in firm specific skills are more likely to do so when they do not thereby expose themselves to increased risk of job loss. The free flow of information required by teams and flattened corporate hierarchies is likely to be chilled if

employees fear arbitrary management actions. Thus some due process and conditional promise of employment would seem necessary for effective introduction of the recommendations above (Levine and Tyson).

Studies of firms that succeeded in turning around a dysfunctional labor environment also indicate the importance of due process and employee participation (Ichniowski) as do studies of firms that reneged on promises of job security and became dysfunctional as a result (Pfeffer (A), Kochan and Osterman). Mutual concern expressed and, more importantly, acted upon by management also appears a necessary condition for the trust, loyalty and commitment that is described as essential for business success in the current competitive environment (Osterman). Further, the impact of perceived unfairness in layoffs has a documented negative impact on the morale of remaining workers (Naumann, *et al.*) as does the perceived unfairness of increasingly wide disparities in compensation.

Another parallel between contemporary HR scholarship and CST is that they both must confront a troubling reality: that HR practice is often contrary to their recommendations. As Jeffrey Pfeffer points out, many workplaces continue to be characterized by dysfunctional, inefficient and inhumane employment practices. Instead of work that employees find fulfilling and that promotes human flourishing, many organizations can be characterized by deadening, arbitrary and stressful job designs and as places where damaging inequality in wages and power persists. Pfeffer argues that these conditions result in part from a failure of management to break free from unsubstantiated ideological assumptions about work (often replicating those of the Taylorist model). His call for an “evidenced-based management” has striking parallels with the recommendations of the bishops and pontiffs. (Pfeffer (B), Pfeffer and Sutton)

This extremely brief and suggestive review of some themes in HR allows us to show faculty that work in their own field has strong parallels with the CST tradition. Issues of job design, employee motivation, pay structures, job security, employee voice and the like are all central themes in current HR scholarship. Frequently, HR theorists come to the same conclusions as does the Catholic Social Thought tradition. So, in many ways, HR faculty are already in conversation with CST. They need only be shown how and where the problematics that currently define their field coincide with the teachings of the Church. Knowing this should give added reason for HR faculty to become conversant with the tradition and to introduce it into their classes. The following table suggests some areas where we might provide more evidence of overlap.

**Table 3: HR and CST**

	<b>Principles of CST</b>						
	Human Dignity	Common Good	Subsidiarity (Family & Community)	Option for the Poor & Vulnerable	Dignity of Work Rights of Workers	Solidarity	Stewardship (Care for God's creation)
<b>HR</b>							
Wages	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	
Employee Participation	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>		
Job Security/ Due Process	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	
Motivation	<b>X</b>				<b>X</b>		
Job Design	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	

**Conclusion**

The above examples of contemporary Strategy and HR scholarship will allow faculty in the management sub-disciplines to discover the parallels between their own field and CST. The more we illustrate the overlap between the traditional concerns of CST and credible research in the discipline, the greater our chances of convincing management faculty of the need to introduce CST into the curriculum and of their competence to do so.

We should note, however, an important difference between CST and management scholarship. Most management research attempts to discover the factors that are likely to produce business success. As we have seen, the discipline's understanding of what those factors are has changed significantly over time. Nonetheless, the touchstone in the discipline is organizational effectiveness and success. The tradition of Catholic Social Thought differs from this in a critical and important way. CST is ultimately a moral perspective whose prescriptions are not contingent on their leading to economic or financial success. While management is an inherently normative discipline in that it offers advice, its imperatives, as Kant might say, are hypothetical.

The imperatives of CST are presented as having a higher and a stronger binding force. The following from *Mater et Magistra* makes the point clearly:

...one may not take as the ultimate criteria in economic life the interests of individuals or organized groups, nor unregulated competition, nor excessive power on the part of the wealthy, nor the vain honor of the nation or its desire for domination, nor anything of this sort. Rather, it is necessary that economic undertaking be governed by justice and charity as the principal laws of social life. (*MM*, 38)

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