

A Human Dignity Approach to Business Ethics for Executives

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1. Introduction¹

This chapter introduces an approach to business ethics for executives that centers on the concept of human dignity. The ideas discussed in this chapter are drawn largely from Catholic social doctrine as applied to the economic sphere. Catholic social doctrine, however, is not primarily the product of theological speculation. It instead finds a foundational source in philosophical ethics and the natural law, subjects that antedate Christianity by many centuries. As a result, people of other faith traditions or of no religion can profitably access both its wisdom and the many practical applications found therein. They are part of “real life” as actually experienced by business executives. Rightly ordered, ethical business leaders’ guiding decisions shape a positive corporate environment, one in which creativity is fostered and workers serve both the community and each other. Affirming each individual’s dignity in the business enterprise does not lead to lack of control or strategic focus. It contributes on the contrary to the success of a viable business model from which long-term profit can flow. (Foley, 2015). It also helps the enterprise play a role as a responsible contributor to the surrounding society.

The target audience for this book chapter is general business readership. Its purpose is to introduce concepts from Catholic social teachings as they apply to business ethics. Those readers more familiar with Catholic social teaching (and terms such as “subsidiarity” and

“solidarity”) may find the chapter a helpful review. It does not provide a detailed analysis of this approach to business ethics, nor does it serve as an apologia for Catholic religious and doctrinal teachings (which are in many respects an entirely separate thing). To gain a deeper understanding of the subject matter contained in this chapter, the reader can turn to *The Compendium of the Social Doctrine of the Church* (2007) or Abela and Capizzi’s (2014) much shorter *Catechism for Business*.

Modern Management Models Fall Short

Much of the literature emerging out of management research through the mid-20th Century provided a useful but inadequate lens through which to examine ethical behavior in business organizations. (Mele & Chinchilla, 1991) The mechanistic paradigm associated with economics and engineering theories have limitations. Theories, such as Taylor’s (1911) *scientific management*, offer a viewpoint that the goal of an enterprise is only to maximize profit and improve efficiency. The only significant sources of motivation from this perspective are those of money on the one hand and punishment on the other. This implies a superficial vision of business and the role of workers in an enterprise.

Another set of models, the *organic* and *psycho-sociological*, although somewhat more person-centered, misses a fundamental understanding of human nature. In the organic model, well represented by the Hawthorne studies at Western Electric in the 1920s, human needs are shown to be complex and social. They involve more than simply satisfying the workers’ material needs. The psycho-so-

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cial model sees two fundamental goals: efficiency in generating financial results, and motivating workers by structuring their jobs in ways that will prove attractive to them. These approaches, however, are deficient in that they fail to place the good of the human person at the center of economic activity. (Mele & Chinchilla, 1991)

There is, however, a fuller and more *humanistic* approach to this problem. And it offers by contrast a more coherent and complete anthropological vision of men and women as persons who exercise freedom. Victor Frankel was a psychiatrist and Nazi death camp survivor who wrote on this topic. According to Frankel (1965; as cited by Mele & Chinchilla, 1991), man is completed by the spiritual dimension, which is the place where humans find ultimate meaning for their existence. The vision of the organization that focuses on human values and principles is a vision that transforms labor and capital from a technical problem to be solved “into a living social organism.” (Mele & Chinchilla, 1991, p.7) A Christian vision alone may be insufficient to manage a business enterprise. But it is nonetheless a useful one for any society that seeks a just and humane economic system. This is because business is about more than mere efficiency, professional attractiveness and profit. Business enterprise, in its best sense, is also about seeking the common good, a good that benefits an entire community. It additionally promotes the coordination of creative actions. A Christian vision of wholesome business models actually incorporates these values as essential elements.

The Ten Commandments & The Golden Rule

There is a moral dimension implicit in executive decisions. This is because they involve alternatives that impact many people within a company (as well as in the wider social community). The Ten Commandments given to Moses clarify what is prohibited. One reason they do so is because violation of these principles undermines trust among people. In

particular, the Seventh Commandment, “You shall not steal” (Exodus. 20:15), has governed human relationships in the economic sphere for millennia. It requires “the practice of justice and charity in the administration of earthly goods ... which are destined for the entire human race.” (Catholic Church, 1994, p. 589) The Commandments are thus useful guides in the business world for identifying types of evil to avoid. Following these rules is also a step toward becoming virtuous. (Sina, 2015) Avoiding evil is not in itself, however, a sufficient guide for leading a commercial enterprise. Guiding a company to greatness also requires the proactively doing good.

Most business leaders would concede that practicing the “Golden Rule” spoken of in the Bible (Matthew 7:12, 22:30) is a reasonable and laudable starting place for human interactions, including business transactions. Jesus of Nazareth summarizes in these biblical passages the obligations of mankind (as stated in the Torah) to treat one’s neighbor as oneself. The principle contained in the Golden Rule is also present in teachings of many other faiths. Jesus’ “new commandment” (in John 13:34-35) to “love one another” extends the logic of ethical behavior even further.

These concepts speak to a desire deeply and innately rooted in the human heart. It involves a yearning (one that requires no formal instruction) to seek harmony and to build relatedness with other members of humanity in an interconnected social world. Business is one means of expressing that connectedness.

Executives May Be Ethically Capable But May Lack Specific Knowledge

One might expect executives (because of their rise to the top of organizations) to have greater potential for ethical behavior. After all, they possess a keen practical intellect, wisdom about risks in their industry, a highly developed social acumen, and success at building practical harmony within their enterprises. In this sense, one might expect that the deliberative skills required to build a successful

enterprise would also help them to apply ethics appropriately in their business decisions. Unfortunately, financial newspapers are filled with stories of ethical failure, either because the executive was inclined to win at all costs or because he or she slowly tuned out his conscience over the course of a career.

Catholic social doctrine is not a cure-all for social ills in the business world. But for the reflective executive, an appreciation of these ethical principles can be helpful. The authors do not propose that people of other faiths adopt the social doctrine without examination. Rather, the authors believe that Catholic social teachings provide a well-established set of principles that executives can master and then use to determine an ethical course of action. These principles can also assist the executive to integrate the goal of profit into a richer interior understanding of the purpose of the executive's organization. The Catholic Church specifically teaches that people of different faiths, or of no faith at all, have a contribution to make to ethical practices. Pope John Paul II (1991) stated that, "many people who profess no religion will also contribute to providing the social question with the necessary ethical foundation." (John Paul II, 1991, *Centesimus Annus* # 60) In that same document, he went on to say that, "I am convinced that various religions, now and in the future, will have a pre-eminent role in preserving peace and in building a society worthy of man." (John Paul II, 1991, *Centesimus Annus* # 60)

What Is Meant by Human Dignity

Some terms that have made their way into common use from various approaches to economics and "management science" in the period following the Industrial Revolution have perhaps unintentionally created a mechanistic view of people and organizations. The better course would be to view "persons" as the living organisms they are, and to see business organizations as dynamic networks of people in community for a shared purpose. For instance, using the terms "labor" or "human resources"

as an input into production misses essential elements of the persons and the organization. There is certainly a technical side to management, but there is also a moral framework to guide executives. What makes for good business performance depends in part on technical factors – "including technology, structure and processes, communication, motivation, and leadership" (Melé, 2012, p. viii) – but also on personal factors such as trust, relationships, cooperation, ingenuity, and creativity.

Human dignity as expressed in this chapter means the concept that every human being has transcendent value that resides in his or her essence (or, to put it another way, a value that is an essential part of what it means to be human). It is not a situational factor or a non-essential element (such as the color of one's skin, eyes or hair) but an indispensable aspect of what makes a person human and sets him or her apart from plants, animals and inanimate objects. Unlike furniture or machines (which are created to be used by people for some higher purpose, such as rest or the manufacture of goods that make life better and easier for humanity), people are ends in themselves and not a means to an end. They have intrinsic value and must be treated as such (*i.e.*, with respect and with deference for the rights that naturally inhere in them as human beings).

Humans are qualitatively not the same as other means of production. For that reason, an effective executive should conduct business in a way that respects the essential dignity of the people who work in that enterprise. Servant leaders turn the traditional hierarchy on its head, serving the people in their organization by fostering an environment in which people can use their creative gifts to benefit the community. (Naill, n.d.) Many of the Catholic Church's documents on social teaching provide a general guide for ethical behavior. These documents do not offer prescriptions or "how to" formulas for resolving every business dilemma. But they do offer a useful and logical approach to considering the impact of an executive's decisions and actions on his or

her workers, the company's other stakeholders, and the broader community of which his organization is but a part.

Plan for the Chapter

After making the case that Catholic social teaching can provide useful principles for ethical decision making by busy executives, this chapter lays out some of the most noteworthy background concepts. It then examines important teaching documents of the Catholic Church and extracts from them the key principles for ethical business practices. Finally, the chapter proposes an approach to making ethical decisions. It also describes companies (some led by purely profit-oriented executives with no apparent tie to religious organizations) whose structure and behavior correspond to the principles of a human dignity-centered ethics.

2. Key Background Concepts

In order to derive maximum benefit from this chapter, the reader should understand a few terms or concepts (such as “natural law” and “normative and positive business ethics”).

Concepts from Natural Law

Natural law is a form of jurisprudential thought that is universal because it is written in the hearts of humanity, at all times and places, regardless of where they live or their forms of government. Elements of it are found in the writings of ancient Greek philosophers, such as Plato and Aristotle. Thomas Aquinas, one of the greatest Middle Age philosophers, deepened understanding of the natural law as a result of his theological synthesis, which was based on the philosophy of Aristotle.

Aquinas did this as part of an ancient tradition: taking the best from pagan antiquity's greatest philosophers and, to the extent consistent with Catholic thought, incorporating or “baptizing” it, if you will, into the intellectual structure of the faith. It is for this reason that this tradition provides a well-developed philosophical foundation for examining the chal-

lenge of business ethics.

Without the historical and philosophical background offered above, some people might think that a law is (or has become) law only because a legislature or judge says it to be so. This type of law (which we can differentiate from the natural law) has come to be known as “positive law.” It is a form of law that differs from state to state, from country to country, and from century to century, based on what a tribal chief or a king or a legislature has proclaimed.

Natural law, the first and highest kind of human law described above, involves something more basic and permanent. Deep in one's heart, for example (and unless one has acted in such a way as to deaden his conscience), every rational human being knows that the deliberate killing of an innocent person is a wrongful act (that is to say, murder), regardless of whether a given state has passed laws against it. The same can be said about robbery. To be sure, governments over time have enacted laws (the “positive law” described above) to prohibit activities such as murder and robbery. But murder and robbery are fundamentally wrongful not because the positive law proclaims them to be wrong, but because murder and robbery are in themselves intrinsically evil acts. Positive law actually proclaims them to be illegal precisely because they are in fact things that are “*malum in se*” (i.e., evil in themselves) as opposed to things (such as a highway speed limit or the stop sign at an intersection) that we arbitrarily make illegal based on various circumstances. This latter category of positive law is called “*malum prohibitum*” (i.e., evil solely because we prohibit it).

We may, for example, pass through an intersection without stopping on Tuesday because there is no stop sign. To do so is perfectly legal. On Wednesday, however, the city may have installed a stop sign at that intersection (because, perhaps, of increased traffic or a history of accidents), in which case the same conduct that was legal on Tuesday has become illegal on Wednesday (again, not because there

is anything intrinsically wrong with driving through that intersection without stopping, but only because the law now says it is wrong).

Although the business executive is obligated to observe the positive law (even when it deals with things that are “*malum prohibitum*,” such as filing taxes or obtaining licenses by a certain date), he or she must have special sensitivity for those matters in the positive law that derive from violations of natural law and natural rights (such as defrauding a worker of his wages or failing to provide consumers with safe and unadulterated products).

Although the positive law can sometimes be hard to understand or even anticipate, natural law is often a matter of common sense for a person of normal rationality and goodness.

Notwithstanding this fact, some business executives may assume that positive laws created by a democratic state provide an adequate guide for ethical behavior. This, however, is not necessarily the case, as business leaders and other citizens of Germany learned the hard way by the end of World War II. This is because German positive law of that era diverged dangerously from principles that were central to natural law, which (as we have seen) is part of the philosophical and other intellectual foundations of Catholicism. The historical perspective furnished by a proper understanding of natural law and philosophical ethics can therefore be an important aid to establishing moral perspectives of precisely the kind needed in a business context. (von Hildebrand, 2014) The key point of mentioning von Hildebrand is that a philosophically-informed tradition that includes a well-developed understanding of natural law provides a deeper awareness of what constitutes ethical behavior, which is a critical element for effective executive decision-making.

Normative and Positive Business Ethics

According to Donaldson and Dunfee (1999), there is a great deal of theoretical confusion in the business ethics literature and research resulting from intermingling “normative”

and “positive” approaches to the examination of business ethics. On one hand, there is a tradition of examining business ethics from the perspective of what actually happens (*i.e.*, how people behave, either in the lab or in the real world). This represents the “positive” approach. It focuses on “what is” rather than “what should be.”

On the other hand, there is also a “normative” approach to business ethics that emphasizes what *ought* to occur in business practices. This approach is less centered on the reality of what actually happens in the business world, focusing instead on ethical concepts as guides to what *should* occur. Frederick (1995, as cited in Donaldson & Dunfee, 1999, p. 10) has made an effort to synthesize the two traditions (*i.e.*, the positivist and more empirical approach with the normative and more prescriptive one). It is worth noting that Thomists (*i.e.*, natural law followers of Thomas Aquinas) assert, as does Frederick, that values are anchored in human nature. “To claim that values *emerge out* of biological process is not the same as saying that values are fully *explained* by biological processes.” (Donaldson & Dunfee, 1999, p. 11). The first claim leaves room for philosophical and other non-material answers to questions about values. The second claim is a “reductionist” one that leaves little or no space for the transcendent or metaphysical. It simply looks at “what is” from the perspective of what can be physically and empirically observed in the material world. This chapter will focus more on normative than positive business ethics. It will include examples of how an ethical business is theoretically structured as well as ethical businesses that actually exist.

Are executives from the Catholic or other faith traditions any better at ethical behavior than non-believers? The authors have known Catholic executives who professed their faith publicly and were generous philanthropists (but who were otherwise quite ruthless with subordinates). At the same time, there are examples of greatness in both head and heart with respect to many executives, regardless of

their core belief system.

With regard to ethical flaws in specific areas of business behavior, it is a natural impulse for the human being to compartmentalize his or her behavior and rationalize actions. For all but the most naturally virtuous, self-deception can be a “hard-wired” habit that is difficult to overcome. It can require a lifelong journey of self-examination and growth to transcend one’s flaws (or, to use a 12-Step term, “character defects”). Busy executives rarely have time for self-reflection, but it is a worthwhile endeavor to set aside time for self-examination.

The challenge for executives of all faiths, or no faith at all, is to employ knowledge of ethical behavior across the board in all their daily interactions. It should be a process that operates silently in the background. Ethical behavior demands more than just knowledge, however. It also requires wisdom and virtue. The ancient Greek philosophers, for example, understood that giving people information does not make them better.

In studying many executives that the authors have known over the last four decades, the virtue most often lacking is that of humility. One would expect executives to have extraordinary confidence in themselves (because, without this attribute, they would suffer paralysis in decision-making, or they would hold back from taking even prudent risks). At the same time, developing humility (as understood, for example, by Bernard of Clairvaux, the 12th century abbot and religious reformer) requires self-knowledge – *i.e.*, an understanding of one’s positive and negative aspects of character. Truly knowing oneself could serve as a lifelong guide for busy executives seeking to apply wisely the principles of business ethics.

3. Source Documents on Issues of Economic Justice

To grasp the human dignity approach to business ethics, it is important to understand the source documents that contain these principles. The Catholic Church has employed

a number of core writings to inform its members on issues of economic justice. This section will describe the most important ones (called “encyclicals”) and summarize or reference other resources (either in this section or elsewhere in the chapter). An “encyclical” (which comes from the Latin term for “a circular letter”) is a document sent by the Pope to bishops and patriarchs in communion with the Catholic Church, as well as to wider audiences, on various moral or other topics. These letters are high in the Church’s hierarchy of teaching documents.

For the purposes of this chapter, there are three essential “business ethics” related encyclicals, and they are described below. The reader may note that themes from the earlier documents also flow throughout subsequent encyclicals (and are developed in those later ones). Because the documents are lengthy, this chapter highlights only a few of the most relevant points. The reader who is interested in learning more may find it useful to read at least one or two of these encyclicals. The prose is accessible compared to a typical philosophy or theology book, and the texts offer particularly interesting insights into history, economics and human nature.

Encyclical – Of Revolutionary Change

The 1891 encyclical commonly referred to as “*Rerum Novarum*” (translated idiomatically from the Latin as “Of Revolutionary Change”) is titled (as encyclicals typically are) from the first words of the Encyclical on the Rights and Duties of Capital and Labor. (Leo XIII, 1891) Experts in theology view this encyclical to be the foundation for Catholic social teaching in the modern era. (USCCB, 2009)

Concern for Workers. In response to challenges faced by workers following the Industrial Revolution and later socialist upheavals, this letter addresses the issues of rights and obligations within an ordered society. (Darring, n.d.) Its author, Pope Leo XIII, was sympathetically concerned for the working poor, whom he saw as having insufficient pro-

tections. Leo condemned: “corporate situations in which workers are conscious of being most inhumanly treated by greedy employers, that almost no greater value is being placed on them than the amount of gain they yield by their toil” (Leo XIII, 1891 as cited in Melé & Chinchilla, 1991, p.4)

Further, according to Melé and Chinchilla (1991, p.4), Leo viewed the inhumane treatment of workers by some employers in an unrestricted capitalist system as not only being reproachable but worth abolishing altogether. Melé (*et. al.*, 1991) cites Leo as follows: “Now as concerns the protection of corporeal and physical goods, the oppressed workers, above all, ought to be liberated from the savagery of greedy men, who inordinately use human beings as things for gain” (Leo XIII, 1891 as cited in Mele & Chinchilla, 1991, p.4)

This document is also the origin of what has become known as the Catholic “preferential option for the poor.” As reflected in Leo’s words: “The rich class have many ways of shielding themselves ... whereas the mass of the poor have no resources to fall back on ... they should be specially cared for and protected.” (Leo XIII, 1891)

Private Property. While the document is critical of proponents of strict laissez-faire capitalism, it also objects to socialists who would force the removal of private property. Private property is considered by the Church to be a natural right for all members in society. The possession of private property and the use of capital make it possible for persons to extend their planning into the future, to provide for their families’ needs, and to offer services to others in society who, in exchange, can benefit society by their own productive efforts.

Creativity. Another essential aspect of private property is that it provides a tangible goal or channel for mankind’s creative efforts. It provides workers with direction with which to use their unique and individual creativity for the benefit of improving themselves and their community as well as society at large. From this standpoint, every individual coop-

erates with the divine order through his own unique contribution to the whole of humanity. With this approach, the possession of property is not considered to be an end in itself but a means to improve oneself.

Social Harmony. The vision of society that Leo offers in *Rerum Novarum* differs from both the 19th Century version of classical liberalism on the one hand and the Marxist vision on the other. The classical liberal vision more familiar to America’s founders would be of society as an aggregate of persons “linked together by nothing more than voluntary pacts,” (Melé and Chinchilla, 1991, p.3), whereas the Marxist view is that the collective absorbs individuals. Leo’s view strives to recognize the respective rights and obligations of the business owner (who controls capital) and the worker (who furnishes the labor necessary to make capital productive), all in a way that promotes social harmony. Where necessary, Leo sees a limited but necessary role for the state to protect those who are unable to protect themselves. At the practical level (both in the larger society and in a company), people create social links with each other, and the ties between them contribute to social development. Both business owners and the workers need to work in harmony to achieve continuing human development. (Melé and Chinchilla, 1991)

The Object of Life is Virtue. Reflecting Thomas Aquinas’ more ancient insight, Leo (1891) artfully stated that, “true dignity and excellence in men resides in moral living, that is, in virtue.” This expression also points to the limited happiness that can be offered by individual wealth. Reflecting this sentiment, John Henry Cardinal Newman (as cited by Hulsman, 2002) asked: “And at the end of our days, when flesh and heart fail, what will be our consolation, though we have made ourselves rich, or have served in an office, or have been the first man among equals ... or have been intimate with the great!” (Hulsman, 2002, p. 127)

These observations underscore another im-

portant teaching in *Of Revolutionary Change*, that of the individual *dignity* of persons, regardless of their social standing or wealth, and the fact of virtue as the noble object of living.

Encyclical – On Human Work

In the encyclical On Human Work (*Laborem Exercens* in Latin), Pope John Paul II recalls the ninetieth anniversary of *Rerum Novarum* and updates Church social teachings on property, drawing from many of his prior theological works as a Polish prelate and from his experience opposing totalitarian Communism's violation of workers' rights. (Education for Justice, n.d.)

Dignity of Work. John Paul cited the creative work of God, as described in the Book of Genesis, to support the papal view of work as something intrinsically dignified. Work in a sense ennobles men and women because it allows them to share in the creative action of God. John Paul thus distinguished work from the drudge of exhausting toil, to which man became subject due to the "Sin of Adam." "Only the toil and sweat came with sin." (Foley, 2015) Work, in this view, is an essential part of human nature. For this reason, the worker is more important than the things he or she creates. The material world and technology thus serve mankind, not the inverse. As can be seen, there is a spirituality of work that deserves respect from economic systems. As an example of this principle in action, Josemaria Escriva de Balaguer y Albas, in 1928 founded a group of laity and priests that believes people can find personal holiness through the diligent performance of their daily work, whether it be manual or professional or household in nature.

Workers' Rights, Including Those of People with Disabilities. Building on and reaffirming the work of Leo, John Paul noted the importance of workers' rights, including the right to a "family" wage (*i.e.*, one sufficient to support a worker and his family in at least modest comfort), supplemental benefits such as health insurance, pensions, va-

cations and holidays, unionization and "suitable employment for all who are capable of it." (In a separate document, at Paragraph 25 of the 1981 Apostolic Exhortation "Familiaris Consortio," John Paul II also said that work should "never [be] a cause of division in the family" but something that "promotes its unity and stability." At the level of practical application, business owners, executives and the state should thus have due regard for legislation or business customs that promote family life by limiting work hours, such as America's so-called "blue laws" of years gone by, which mandated Sunday business closings so that families would have a shared time for worship and family gatherings. In some countries today -- such as Liechtenstein and parts of Germany -- shops are still typically closed on Sundays. In some German states, shops and other businesses are also generally open past the dinner hour only one or two nights per week.)

Greater attention, John Paul said, should also be paid to agricultural workers, who often suffer from harsh working conditions as well as substandard wages and benefits. The encyclical also addresses the issue of employing people with disabilities, stating, "They too are fully human subjects with innate, sacred and inviolable rights ... [and] should be helped to participate in the life of society." (John Paul II, 1981, #22, p.32). Consistent with the idea that "work is for mankind and not mankind for work," the encyclical additionally makes clear that people with disabilities should not be excluded from a larger participation in society. If required, special accommodations and training should be provided so that these individuals are not "cut off from the working world or dependent upon society ... but that they are ... useful, [and] respected for their human dignity." (John Paul II, 1981, #22, p.33).

John Paul concludes this encyclical with an examination of "Human Work in the Light of the Cross and Resurrection of Christ," noting that, "By enduring the toil of work in union with Christ crucified for us, man in a way collaborates with the Son of God for the redemp-

tion of humanity.”

Encyclical – The Hundredth Year

Ten years later, John Paul II continued his examination of human work in the 1991 Encyclical *Centesimus Annus* (“The Hundredth Year”), referring to the centenary of Leo’s *Rerum Novarum*, referenced above. This second “look back” by John Paul at Leo’s groundbreaking social encyclical comments on the forces that ended oppressive regimes in 1989. It also discusses the role of private property and the state.

The Events of 1989. In cataloging the failures of Marxism (and tracing the core reasons for Polish independence and the subsequent disintegration of the Soviet Union), John Paul notes that the “inefficiency of the economic system” was the consequence of violating workers’ human rights. Civil protests set in motion by the Polish Solidarity movement forced elections, and the Berlin Wall collapsed. (Austrian Catholic Social Justice Council, n.d.) The socialist system undermined personal initiative, which in many respects springs from the right to own property. Communism’s economic system, in John Paul’s view, was ultimately doomed to fail. (John Paul II, 1991, #25, p.19) He interestingly warns that an effort to remove morality from political considerations is not only unethical, it is also impossible, because human nature seeks freedom (a freedom that John Paul frequently identified not with the right to do whatever one wishes, but with the freedom to do what is right). Efforts to reduce freedom (as well as to remove the moral and spiritual dimension from a culture) undermine what holds together a cohesive society. He states: “(W)here self-interest is violently oppressed, it is replaced by a burdensome system of bureaucratic control which dries up the wellsprings of initiative and creativity.”

John Paul continues: “Sacred Scripture teaches us ... the Kingdom of God, being *in* the world without being *of* the world, throws light on human society... In this way the requirements of a society worthy of man are better

perceived, deviations are corrected, the courage to work for what is good is reinforced.” (John Paul II, 1991, #25, p.20)

John Paul then uses this intellectual and spiritual foundation as a springboard for discussing related topics.

Private Property and Universal Destination of Goods. In keeping with prior encyclicals, *Centesimus Annus* reinforces the right to private property, noting that: “the right to private property ... which is fundamental for the autonomy and development of the person, has always been defended by the Church.” (John Paul II, 1991, # 30, p.23) While the freedom to own private property is affirmed, the use of that freedom should be in a manner subordinated to the common good.

John Paul points out that private property has a social function, giving people autonomy as a means to support their families, to interact with others, and to be more productive. “Knowledge, technology, and skill” (John Paul II, 1991, #31, p. 25) have replaced land ownership as the main source of production. Moreover, the newer forms of work require a greater integration with the creative endeavors of others. This initiative and entrepreneurial activity in turn creates ever-expanding spheres of cooperation and sources of wealth within society. Virtues in association with others, such as “diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships” (John Paul II, 1991, #32, p. 25), are the hallmarks of business as a community of persons.

Although profit is a legitimate goal of business (John Paul II, 1991, #34, p. 28) and an important indicator of an orderly functioning enterprise, profit is not the only objective. There is a moral objective as well, viz., to contribute to the worker’s growth and to serve society. On a broader level, many of humanity’s needs cannot be satisfied within the marketplace, and authentic living can only happen when a person is oriented toward others. By contrast, consumerism, drug abuse, and failure to protect the environment represent

a constricted outlook on the material world, a “desire to possess things rather than relate to them.” (John Paul II, 1991, #37, p. 30) These create an alienation of humans from themselves and from others.

John Paul concludes this discussion by noting that the Catholic Church “has no models to present” because effective models “can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social economic, political and cultural aspects, as these interact with one another. For such a task, the Church offers her social teaching as an indispensable and ideal orientation” from which people of good will can work to achieve a just society and economic system.

State and Culture. Consistent with the teachings in *Rerum Novarum*, and based on his own experiences opposing both Soviet Communism and the National Socialist regime of Adolf Hitler, John Paul underscored the view that “[a]uthentic democracy” (*i.e.*, a democratic system that operates under the rule of law “and on the basis of a correct conception of the human person”) offers a viable way to achieve a just and humane society. But “authentic democracy” assumes certain necessary conditions – such as a respect for “ultimate truth to guide and direct political activity”—without which conditions “ideas and convictions can easily be manipulated” to produce “a democracy without values”, one that “easily turns into open or thinly disguised totalitarianism.” In so arguing, John Paul implicitly rejected the view that “agnosticism and skeptical relativism [as opposed to belief in God and in an absolute and objective truth that is knowable by human reason] are the philosophy and the basic attitude which correspond to democratic forms of political life.” It is no coincidence that the encyclical “was dated on May Day, the great public holiday of the communist movement.” (Weigel, 2011) Democracies of the “authentic” sort described by John Paul are better able to ensure the rule of law and, unlike socialist states, provide strong op-

portunities to protect the fundamental rights of its people, including but not limited to the right to own property, of families and associations, and of minorities. John Paul’s hopes for the protection of rights are expressed in his statement about what will lead to authentic democracy in countries emerging from totalitarianism: “the right to develop one’s intelligence and freedom in seeking and knowing the truth; the right to share in the work which makes wise use of the earth’s material resources, and the right to derive from that work the means to support oneself and one’s dependents.” (John Paul II, 1991, #47, p.37)

He notes that the Church has no preference for the institutional forms of democracy, and it respects the “autonomy of democratic order” (John Paul II, 1991, #47, p.38) so long as it protects the dignity and rights of its citizens. He also supported the right of the state to intervene in an economy when monopolies impede development. (John Paul II, 1991, #48, p.38)

With these two important encyclicals, John Paul built on the foundation laid by Leo, updating the social teaching of the Catholic Church by applying it to contemporary circumstances, which are in many respects much different from those faced by Leo.

4. Principles of Social Teaching

After having described the documents on Catholic social teaching, how is one to relate them to business ethics for the busy C-level corporate executive? Some standards are straightforward, such as the philosophical principle that one can never ethically perform an evil act (or use evil means) to achieve a good end. But for the most part what emerges after reading the documents is that they do not provide a simple formula or an effortless guide for making decisions. Rather, they do provide overarching principles for careful deliberation and application. These principles are described below. The reader may note that the principles do not stand alone, but they relate to each other in an integrated fashion.

Intrinsic Dignity of Human Persons

From the Catholic viewpoint, scripture teaches that every person has special dignity because each person is made in God's image and is placed "at the summit of the created order." (Compendium, p. 50) Business, which is part of the social order, plays a role in the development of creation because it is derived from mankind's creative activity. (Naill, 2010)

Mechanistic concepts of organization have come into common use in business and economics since the Industrial Revolution. According to the Catholic tradition, these mechanistic concepts confuse and conflate persons with the tools used by persons. Words in common use that fail to reflect the immanent dignity of people (*i.e.*, the dignity that resides within each person) include "human resources" (instead of "persons"), "training" (instead of "learning"), and "labor" (instead of "people"). The term "human resources" "makes people sound like raw material; when you use them up, you get no more." (Foley, 2015) These terms objectify the human being and place the person in a system that may make him or her appear to be no different from any factor of production.

A key element of each person's dignity stems from the concept that he or she possesses free will. A person can make the choice either to serve himself or herself alone or to employ their unique abilities to serve and cooperate with others. Although one should seek to develop oneself in a manner consistent with his natural gifts and interests, the goal should be selflessness -- to benefit one's family and society. This requires cooperation in the business world between capital and those who provide the work of production. Capital and workers each play an essential role in upholding human dignity. (Lanari, 2009)

Subsidiarity

Subsidiarity is a highly important Catholic social teaching. The principle of *subsidiarity* means that higher or more centralized levels of society should not perform tasks that the

individual or a lower or more localized level of society can adequately perform. Thus, the family should not perform something an individual can do. An organization from civil society (such as a church or private community organization) should not perform tasks that a family can handle. Local government should not do things that non-governmental organizations can accomplish. State governments should not do what city and county governments can achieve. To use a common term sometimes heard in business organizations, people should not be "micromanaged" if they can accomplish a task or goal by themselves. (Lanari, 2009) For instance, if I as a father were to teach my children to ride bikes, it would seem odd if I never let go or allowed a reasonable amount of risk that they might bruise a knee. I might insist that my child wear a helmet, but my daughter would never develop a sense of competency (or experience the joy of mastery) if I were to hover over her whenever she went for a bike ride. To use another example, imagine if you will, the potential for inefficiency if a central entity were to takeover garbage collection in a region. (Foley, 2015)

A similar application of subsidiarity also holds true for the business environment. Successful leaders should foster rather than restrict personal initiative and freedom. (Naill, 2010) Successful enterprises provide rules that are not overly restrictive, and they permit people to experiment, even to the point of making mistakes as an avenue to learning. Moreover, this gives people authority to take action at the lowest level possible, without undue interference from above. A later section of this chapter will show how this looks in practice (as a principle used by highly successful businesses).

Common Good

The principle of *the common good* as described in Catholic social teaching refers to "the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily." (Pontifical Council for Justice and

Peace, 2004, p. 79) This principle is focused first on creating virtuous people and a virtuous society. A virtuous society will put in place the economic conditions and political structures that ensure basic rights and essential services (such as access to work, education, health care and freedom of expression as well as religious liberty). Seeking the good of others is not easy to attain, and those persons with proportionally more abilities and resources have greater obligations to support others. The highest good is not the accumulation of material wealth, but increasing the virtue of a society's participants.

The Catechism (Catechism of the Catholic Church, 1994, p. 465) outlines three core principles involved in the common good: respect for the human person and for all rights inherent therein, the well-being and development of human society, and peace (which is "the stability and security of a just order"). (Lanari, 2009).

Participation

The principle of *participation* refers to the idea that every human being has a unique contribution to make with respect to society, and that each person should participate. Each person has unique talents, and all persons are called to participate in their community – to improve themselves in the sense of growing in virtue while also contributing to the wider society in which they live. (Lanari, 2009) The principle of participation has its root in the idea that people have an individual identity, but humans are equally social beings, so that society benefits by their participation – at work, in the economy, culturally, and in political life. Rather than surrendering freedom, and tied in with the concept of subsidiarity, the principle of participation calls for political participation (including that of disadvantaged persons) to "prevent the establishment of hidden privileges" (Pontifical Council for Justice and Peace, 2004, p.90) in the economy and in public administration.

Solidarity

Solidarity as normally understood implies a unity that arises out of shared concerns and interests. The principle of *solidarity* in terms of church social teaching carries with it the additional meaning that all people have individual dignity and rights, but they share an obligation for recognizing the benefits of interconnectedness that resides in their social nature. (Pontifical Council for Justice and Peace, 2004, p. 92-94) Advances of the modern era in telecommunications, information technology, and the speed of commerce show the vast interconnectedness that is now possible between peoples of all nations. Solidarity holds both social and a "moral virtue" perspective. The social perspective of solidarity can be carried out in overcoming selfishness by the means of laws and market regulations that benefit all members of society. The moral virtue perspective is "not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far" (Pontifical Council for Justice and Peace, 2004, p.93), but a real commitment to the common good of all people.

Universal Destination of Goods

The principle of *universal destination of goods* is that all the earth was created for the benefit of all humankind, and that such goods should be shared using justice tempered with charity. Moreover, erecting unjust economic or political barriers to access is contrary to this principle. While engaged in activities to produce material wealth, people should not "lose sight of these goods, so as to bring about ... fairness and solidarity." (Pontifical Council for Justice and Peace, 2004, p.83) In the economic sector, businesses should not use resources without anticipating the benefits of prosperity that will come from them – for themselves, their institution, and their families. But they should also consider the impact their use will have on the common good. Productively engaging in work should lead to greater material well-being, especially when an individual or enterprise is creative and uses that creativity

in forms of production that meet consumer needs. One's labor, however, should ultimately be oriented toward the benefit of others in the broader society rather than exclusively for the good of the business, its customers, and those who work there. The common destination of goods is an inherent natural right, not a positive right that has evolved through law in recent ages. Private property is a necessary means of stimulating responsible initiative and creative efforts that employ a person's talents and that contribute to the wider society. The right to private property, however, is not absolute: enterprises and individuals should not arbitrarily exclude others from fair participation in a society's economy.

Right to Private Property

Catholic social doctrine has always held that private property, including income a worker earns, is a necessary element in an economy. It is beneficial to an individual because it provides the ability to support one's needs and that of one's family. Furthermore, ownership of property is helpful to the common good. (Lanari, 2009) The necessity of obtaining property gives focus to a person's creative efforts and builds virtue – because the person must plan for the future, satisfy the needs of customers, be diligent, plan and use time well, prudentially balance risk/reward, and cooperate with others to achieve shared goals that benefit the community. Such activity leads to a sense of professional pride in accomplishments, plus the outcome (*i.e.*, ownership) ensures that an object will be well cared for.

The faith has long supported the idea of private property, respect for which is found even in the teaching parables of Jesus.

5. A Proposal for Ethical Executive Practices in the Real World

The next section explores the idea of how principles from Catholic social teaching can receive application in the real world. It begins with a question, "Are ethics logical in the difficult work of business?" It then proposes a sim-

plified model that executives can employ for ethical decision-making.

Business Ethics Among Executives – Really?

One might reasonably ask how high-minded concepts for business ethics from Catholic social teachings square up to the real world, one in which competition with other business concerns is the rule. Are these social teachings as contained in business ethics a happy fiction like dreams, unicorns and rainbows, or are they perhaps the near-harmless musings of superstitious cranks who mean well but who have never lived a day focused on their organization's profit and loss statement? The authors asked a number of Catholic executives about the current state of affairs in business ethics. One, the owner of a Fortune 1000 company said, "What ethics are you talking about? I am swimming against the tide, because ethics these days in the business world have become what you can get away with." Notwithstanding the authors' earlier argument that executives ought to be capable of a high level of ethical behavior by virtue of talent in weighing prudent risk and strong social intuition, the record is perhaps spotty.

So what is the right model for business behavior in executives or other senior leaders today? If we are left to speculate using the standards of popular business publications, we might turn to books such as *Leadership Secrets of Attila the Hun*. What should an efficient and effective business look like? What should it feel like? Should it look like a dog sled with whip cracking overhead, or a trireme with slave rowers and drum beating as in the movie *Ben Hur*? How should executives make decisions?

The authors contend that ethical business behaviors (and the models that support them) are necessary, because they fit the human condition. Organizations are not mechanical instruments like a clock or a factory production line, with people serving simply as interchangeable and replaceable components.

They are living organisms with a deeper, transcendent dimension. Each person contributes as a creative being in his or her own unique way, via self-development and by contributing to society through their work. One might also ask if an ethical enterprise can be profitable. There is in fact evidence that ethical organizations are both effective and profitable, and that profit follows from well-run organizations. This section will discuss some of them.

Approaches to Business Ethics. Ethical theories are aimed at providing a consistent pathway for making moral judgments. Among the major approaches based on principles, there are two mainstream theories: *Deontologism* (based on duties), and *consequentialism* (which provides for evaluating consequences). “Virtue ethics” is a third approach. (Melé, 2012)

Deontological theories focus on duty. These theories assume a universal moral imperative (such as that enunciated by the philosopher Immanuel Kant), viz., that the correctness of an ethical decision depends on the duty it fulfills rather than on the outcome. In some businesses and professions, codes of conduct are an example of this approach. This approach can fall short, however, by minimizing the role of decision-makers and the ethical component involved in weighing consequences. (Melé, 2012)

Consequentialist theories focus on the outcome desired, whether it be beneficial or not. Utilitarianism is the most widely recognized form of this approach, where the morality of a decision is weighed by the principle of what produces the greatest happiness for the largest number of people. A weakness of this approach would be its failure to protect the legitimate interests of minorities. Moreover, this approach relies on mechanical calculation of utilities and, potentially, on the narrow perspective of the decision-maker. A pure utilitarianism could be hedonistic rather than ethical. (Melé, 2012)

“Virtue ethics” theories focus on traits of character. According to Melé (2012), these have

become popular in the business literature of the last two decades. These theories have some weaknesses in that the accentuation of some virtues can lead to unbalanced human interactions. For instance, the virtue of industriousness (taken to its extreme) can lead to lack of balance in human relations, particularly duties to one’s family or to other creative endeavors in society that would develop the individual in other ways that contribute to society.

How Executives Can Make Sound and Ethical Business Decisions

Domènec Melé, the chair of business ethics at the IESE School of Business at the University of Navarra (Spain), provides an eminently useful model for guiding ethical behavior. While the model focuses on managerial decision making, it can be adopted for consideration by C-level executives as well. Melé’s *Triple Font of Morality Theory* (Melé, 2012) follows the tradition of Catholic social teaching, and it has a logical flow that would be familiar to readers accustomed to reading literature from management and psychology. Although a few elements of the theory are described in terms that can be somewhat complex (Melé is both an engineer and theologian), the model offers business readership with a more accessible approach. It translates the more arcane language sometimes associated with these social teaching in ways that lend themselves to resolution of common business dilemmas.

Melé’s Triple Font of Morality Theory. According to Melé (2012), moral decisions entail a weighing of options, the selection of a goal, and the development of a set of actions to achieve that goal. He asserts that there are three bases for evaluating the morality of a particular ethical decision: intention, action chosen, and circumstances. *Intention* refers to the morality of one’s rationale for achieving a particular goal. *Action chosen* refers to the morality of the specific actions as a means to achieving a specific outcome. *Circumstances* refer to the morality of the predictable outcomes and the situational factors that play

a role in making the decision.

For instance, with respect to international business transactions in certain cultures, bribery is not uncommon. Using bribery to win a contract for one's American defense manufacturer might present a strong temptation, notwithstanding the fact that it is illegal under American law. That fact aside, it also would not be ethical, even if it achieves many otherwise good outcomes. On the one hand, the contract could benefit the foreign nation with improved defense capabilities and new business. It could also assure future profit for the U.S. company and benefit the wider U.S. stock market, while likely having positive technology spin-offs that benefit all parties to the transaction. On the other hand, a bribe is an unethical means for achieving the intended good end. In addition, as noted above, American statutes outlaw this form of behavior. In Melé's words, "a good end does not justify morally bad means" to achieve that end. (Melé, 2012, p. 59) Circumstance matter, but both the intent and the actions must be moral for the entirety of the decision to be moral.

Moral Decisions with Harmful Secondary Impacts. The vast majority of business decisions at the executive level have moral consequences, even if they be limited to an economic outcome for the firm's employees and for shareholders' investment in the business. Many executive decisions also have the potential for harmful secondary effects. A common instance in manufacturing involves cost savings. An executive might ask, "Shall I outsource a portion of my American manufacturing to save costs?" This could have a whole host of secondary consequences for the company – strategic, economic, and moral – so an executive decision maker needs to act with prudence and good moral judgement. For instance, it could save costs to shift manufacturing to another country. On the other hand, if the other country has weak environmental regulations, it could lead to the harm of a local populace in exchange for savings by the American business. It could also lead to eco-

conomic disruptions in the lives of a U.S. community (where the American company formerly manufactured) because of damage to the livelihoods of the company's American workers and their families. In a related manner, it might lead to loss of U.S. expertise, as often happens with respect to the high technology and aviation industries. If it is a national defense-related product, it could additionally create dependencies that undermine U.S. security, especially if the government of the foreign country is at risk of changing to one that opposes U.S. policy. It could also create the impression to shareholders, true or not, that the company's presence financially supports corrupt or oppressive foreign regimes. An executive needs to employ experience, a prudent ability to weigh alternatives, and the judicious use of resources in a way that creates economic value while lowering the likelihood of doing harm, at home or abroad and now or in the future.

There are often hard cases in which it is obvious from the outset that an executive decision has to be made, and where there will be negative effects. In these cases, Melé, (2012, p. 63-65) offers a useful set of questions, which are summarized in the table below.

Saab AB is a Swedish manufacturer of high-end defense articles. The company relies to a great extent on foreign sales. As a result, executives there have faced difficult ethical decisions. Rather than rely on other nations to provide national security capabilities, Sweden has committed to work with Saab to provide for the country's defense requirements. Without the profit that comes from aggressive foreign sales and joint development, Saab would be unable to manufacture the J39 Gripen, a product that meets Sweden's unique fighter jet needs. Sweden's location in the Baltic requires 4th generation fighter capabilities, with short takeoff and easy servicing in the field. It also plays an important role in the Swedish economy, because it supports high-end manufacturing as well as a highly-educated and well-paid workforce. Moreover, it provides

engineering spin-offs and spin-ons, a practical reason to maintain excellence in education, as well as an important source of exports. Although Sweden is a non-aligned nation (and thus outside the North Atlantic Treaty Organization), its defense industry gives it influence in foreign policy that benefits Western nations.

Step	Questions to Ask in Case of Negative Secondary Impacts
1	Can I employ another action to minimize the bad outcome?
2	Is short-term profit my highest motive, and is my intent honest?
3	Would taking an action be intrinsically wrong?
4	Is the action resulting from my decision contrary to legitimate laws?
5	Are there other positive duties I need to consider?
6	Have I employed all the options at my disposal to minimize harmful secondary effects?
7	Are the unavoidable impacts out of proportion to the good that will come from this action?

Some perhaps might not one think ethics goes hand-in-hand with arms manufacturing, but Saab’s executives have exhibited a consistent ethical approach to selling the J39, but not without some difficult lessons. For instance, in a fiercely-competitive international fighter jet market, Saab finalized a sale of its J39s to South Africa in 1999. Rather than rely on its own salesforce, however, Saab used a third-party representative with expertise in the South Africa market. Unfortunately, it was subsequently revealed that significant bribes were involved in the transaction. The situation has become worse for South Africa, because graft made the cost of maintaining the aircraft prohibitive. South Africa rightly seeks prominent role of regional influence as a Western-style democracy but it cannot reliably support a growing defense budget. Although Saab itself was innocent, its reliance on a non-Swede briefly tarnished the sale and Saab’s sterling reputation.

Saab executives have expressed that, while the company requires robust foreign sales to be profitable, Saab will take no action (no matter how profitable) that cooperates with a nation that has a human rights record inconsistent with the Swedish cultural outlook. For instance, Saab was engaged in what would have been a large and highly-profitable sale to a Middle East nation but cancelled a pending lucrative contract due to that other nation’s human rights record.

There is sometimes a short-term cost to ethical behavior, but it must be paid to avoid long term damage to a company’s reputation and future prospects.

6. Ethical Enterprises – Case Examples of Principles in Action and Design

This section provides case examples of companies that have developed a corporate culture consistent with the human dignity-centered ethical principles. Each firm is successful economically. In each case, the corporate direction was shaped by a chief executive officer with a clear sense of direction in the way it values employees and customers. The authors will review the business and then provide a brief analysis in terms of ethical principles.

Nucor Corporation

Nucor Corporation is the 139th largest company in the Fortune 500, with total assets of \$15.6 billion and sales of \$21 billion through 2014. Its business is focused in three segments: steel mills, steel products, and raw materials. (Hoover Report, 2015) It traces back to Ransom Olds, the founder of Oldsmobile autos, and which (through various transactions) became the Nuclear Corporation of America, a manufacturer of nuclear instruments and electronics. As a young 39-year old executive, Ken Iverson, an engineer and World War II Navy officer, became the president in 1965 of a company that was facing bankruptcy. (Govindarjin, 2000) Iverson refocused the business on producing steel joists for construction

and on fabricating steel from scrap.

For cost reasons, Nucor located its plants largely in rural areas of states with a favorable business climate, thus providing the ability to pay a comparatively high wage while simultaneously attracting a committed workforce. Nucor's business strategy applied two core competencies, "building steel manufacturing facilities economically and operating them productively" (Govindarajon, 2000, p.3), with a focus on constant innovation, using modern equipment, manufacturing high-quality steel, and selling a broader range of products than its U.S. competitors. Debt was never permitted to get to an easily managed percentage level.

Nucor has what might be considered a remarkably flat organizational structure. There are only four management layers and, according to its CEO, "You take our company, you turn the pyramid upside down; 6800 people do not work for me, I work for 6800 people." (Franklin, 1996, as cited in Govindarajon, 2000, p.3). In 1998, there were only 22 staff members working at its headquarters.

General Managers at each plant were granted substantial independence with respect to day-to-day decisions on manufacturing, investments, and IT systems. Experimentation was encouraged (and errors permitted) as a means to improve future decisions, rather than waiting for centralized direction. Human resource policies required each plant manager to meet with every employee over dinner in large groups three times per year to discuss issues of scheduling, equipment, and the manufacturing process. Relations between supervisors and front-line workers were egalitarian, with no perquisites based on rank, and bonus-sharing based on team performance.

In what would be seen by many outsiders as revolutionary policy, the company committed to no layoffs during downturns in business. Hours were instead reduced. Nucor's results? A 17 percent increase in sales annually under Iverson's leadership, with employee turnover so low that it was not even counted, thus making a strong argument for the principles em-

ployed in Nucor's business.

A number of the principles for ethical executive direction can be seen in the way Iverson built and managed Nucor. Iverson, who died in 2002, harnessed *creativity* and *concern for workers* (principles discussed in the encyclical *Of Revolutionary Change*) by involving its employees in decisions and affording them a large share of the profits on account of their ingenuity. This approach also reflects the concept of *intrinsic dignity of human persons* and *participation*, because Iverson required that managers collaborate with workers to solve problems, permitting them broad authority to make decisions on both process and technology applications in order to improve the business.

The encyclical *On Human Work* speaks about *care of the environment*, and the use of scrap materials was a key enabler of Nucor's profitability. Nucor pioneered the use of scrap metals, and this led to imitation (the sincerest form of business flattery) by other steel producers. The same encyclical speaks of proper modern *use of technology* for the benefit of workers and artisans who create the products that benefit their communities and mankind in general. Nucor permitted plants sufficient independence that each could decide on what technology or experimental approaches to manufacturing would have the greatest benefit. These practices also demonstrate real-life application of the concept of *subsidiarity*, making decisions at the lowest level possible and by those closest to understanding the particular challenge at hand. Iverson was particularly concerned for workers' communities and their families. By harmonizing the efforts of workers on the front lines, and by supporting their families through efforts such as profit sharing and universal scholarships, he built supportive ties between the plant and the community in which each employee resided.

Nucor is thus a concrete example that "doing good" (as described in Catholic social teaching) is also "good for business."

US Inspect, LLP

US Inspect is a privately-held business headquartered in northern Virginia, not far from Washington, D.C. It is the nation's largest provider of home and commercial property inspections. It was started in 1986 by three outgoing and practical brothers from Virginia's Tidewater area. Their father was a retired Navy surface warfare officer. One of the brothers had been a professional football player and later an accountant at KPMG Peat Marwick. Another brother would later leave the business to become a member of the clergy.

According to Bill Bowman, the second Chief Executive Officer at US Inspect and now the CEO of Core Values Group (Bowman, 2006; Bowman, July, 2015), the three brothers who founded the company had shaped a "niche service" into a highly-profitable business that subsequently became the largest home and commercial inspection service in America.

The means by which they were able to grow their enterprise stemmed from a unique focus on individual character, "creating and maintaining a hard-working, light-hearted, family-oriented culture." (Bowman, 2006, p.1) The strategy for growth was trial and error, but the core strength was their hiring approach: 1) define character in the ideal employee, 2) discover where those people could be found, and then go to them, while 3) preserving a culture that focuses on character.

At first, the leaders began by hiring from "gut feel." But as the business grew to more than 20 locations, a formalized process became necessary. The team created a list of character attributes (dependability, charity, diligence, knowledge and honesty) and developed behavioral questions to test for real-life application of these attributes. The owners focused their hiring on college campuses within the region that were known for producing well-rounded students. Although the actual work of inspectors required technical knowledge, the firm felt that this was easily learned, as contrasted to character (which is built early in life). The company's employment policy

also encouraged hiring people who showed evidence of great work ethic and character. On the few occasions when an employee left, there was a "two interview" requirement to discover the failings of the company in making an error that could have prevented at the time of hiring.

According to current CEO of US Inspect, the goal of the business is the people – the people whom the company serves, and also the people who work in the company. He expressed his approach in heartfelt fashion as, "If you treat people well, they will give it back in more ways than you can imagine. Good will is created by treating people with great dignity, because they deserve it, and being concerned about how they can develop their talents. People are energized when they are valued as persons, and that kind of trust translates into high quality customer service, dedication, and commitment." (Fimian, 2015)

The company's orientation toward its business and employees reflects a number of concepts from the encyclicals *On Human Work* and *The Hundredth Year*. Catholic social doctrine teaches that, "Work is made for man, not man for work." (John Paul II, 1981; Pontifical Council for Justice and Peace, 2005, p. 132) The *Compendium of the Social Doctrine* states that the purpose of work is the individual person, rather than the financial outcome; "work not only proceeds from the person, but it is also essentially ordered to and has its final goal in the human person." (Pontifical Council for Justice and Peace, 2005, p. 132) Further, "human work also has an intrinsic social dimension." The nature of work in the modern era is ever more connected on a social dimension (with customers, with other workers, with suppliers, with one's family and with the community). The nature of these exchanges gives the individual an opportunity to grow in connectedness because, "It is a matter of doing something for someone else." (Pontifical Council for Justice and Peace, 2005, p. 132; John Paul II, 1991)

Again, keeping the worker and his or dig-

nity at the center of business (as supported in Catholic social doctrine) can prove to be very good business indeed.

AES Corporation

AES, a leading producer of energy and developer of power generation facilities, is headquartered in Arlington, Virginia. It has 137 power generation facilities in 18 countries. As of 2015, it was the 178th largest company in the Fortune 500, with more than 18,000 employees. Nearly 80 percent of its profit is from the Americas, with more than \$17 billion in revenue through 2014. Applied Energy Systems began as a consulting company started in 1981 by two former Carter Administration appointees, Roger Sant and Dennis Bakke (a Harvard MBA and War College graduate). It grew rapidly and went public in 1991. The company emphasizes decentralization. In fact, there are as of this writing approximately just 270 people at the corporate headquarters, a ratio of just one percent to the entire workforce.

The company drew some of its senior executives from the career civil service at the Department of Energy. Part of its success can be traced to the management approach its founders applied, a philosophy that promoted decentralized decisions and “making work fun.” In his book, *Joy at Work: A Revolutionary Approach to Fun on the Job* (2005), Bakke laid out an unorthodox way of building and managing a large corporation. Many other large companies at the time, particularly utilities, focused on centralized decision making. Recognizing that creativity was needed in this newly deregulated industry, the founders emphasized engaging people in the real decision-making process. They understood that allowing people to make decisions close to the issues also allowed them to take ownership, to work for successes, and to learn more quickly from mistakes.

The founders emphasized that this kind of creativity supported a work environment in which it was fun for people to come to work as well as to unleash their creative and entre-

preneurial spirit. According to Bakke (2005), “the key to joy at work is the personal freedom to take actions and make decisions using individual skills and talents.” (Bakke, 2005, p. 65) A joyful workplace, from the founders’ perspective, provided “the feeling that you are part of a team, a sense of community, the knowledge that what you do has real purpose,” (Bakke, 2005, p. 75). Stress, on the other hand (and in the founders’ view), comes from a lack of personal control and influence.

The company ventured into overseas plants within nations that were trying to create new market incentives. It fostered a sense of mission in that many of the nations were energy poor. A corporate concern for the environment (while also building energy capability) created new jobs and educational opportunities for the local populace. According to Marc Gunther (2009), it was the first U.S. business to use the concept of carbon offsets (by planting trees) in an effort to minimize emissions from a coal plant.

Bakke (2008) describes a unique view of business purpose. Whereas most businesses focus on profit for shareholders, AES looked beyond profits alone, viewing them instead as the natural by-product of a truly values-based business. For AES, the purpose of its business was threefold. First, serve society with a distinct service. Second, run the company in an economically sustainable fashion. Third, integrate the first two purposes by achieving results with a pre-defined set of ethical principles and values. From the perspective of AES, the end reason for a company’s existence is to serve society. By doing that well, a business generates profit. Shareholders are an important stakeholder – after all, they profit from their investment of capital – but they are only one of many groups of stakeholders. From this perspective, there is not just a financial dimension to business. There is also (and even more importantly) a moral foundation. Serving society, having ethical values, and promoting economic well-being can be the tripartite supports to a business. “The basic thrust ... was to

create an environment based on the principles of trust, freedom, and individuals acting for the good of the larger group.” (Bakke, 2005, p.87).

AES was clearly not designed as a business with Catholic social teaching in mind. But its principles and operations reflect many of the concepts from the encyclicals discussed in prior sections. An ethical orientation to business makes for a profitable business in which it can be exciting and “joyful” to work. For instance, AES respects the sense of *community* and the common good by considering profit to be the natural consequence of good stewardship, including *stewardship of the environment*. In the founding of the company, all stakeholders (not just management and shareholders) are considered as critical to success of the company. A sense of *universal destination of goods* is reflected in the way that the company thought about its role and how it could be a means of serving society. The business purpose was built around values, such as serving society, and doing it in a creative way that involved workers. The principle of *subsidiarity, participation* and *intrinsic dignity of human persons* was demonstrated in delegating decision making and problem solving to the lowest level possible. Plants were allowed to make their own decisions on all aspects of the business. Workers were encouraged to broaden their skills rather than narrow their expertise. Seeking the advice of others was not seen as a weakness or lack of understanding, but rather as a means for engaging in creativity and learning from others, drawing people across country boundaries to develop creative solutions for unique local challenges.

AES’s ability to expand at breakneck speed and yet still remain profitable was tested in the early 2000s, when its stock plummeted from \$70 per share to \$1 (due to the energy company’s inability to secure credit after Enron failed). This crisis exposed the problems inherent in over-investing in Latin America and in operating with few guidelines (other than the directive to “figure it out and use your com-

mon sense”). (Gunther, 2009) The company was forced to restate earnings six times. It also created some centralized departments (such as finance and business development) that had not previously existed. Nevertheless, the company has returned to profitability while retaining its essential character, one which reflects many of the characteristics found in the principles of human-centered business ethics.

AES is an excellent example of how a company that embodies ethical social standards that serve the common good, not just in halcyon times, but in periods of difficulty as well.

7. Summary and Conclusion

In summary, this chapter examined principal sources of Catholic social doctrine primarily three encyclicals from the 19th and 20th centuries. The chapter then explained how these documents can be used to identify human dignity-centered principles when applied to work, to workers, and to the world’s economic systems. It then concluded by studying several companies from Europe and the United States, describing how these businesses embody ethical practices that reward owners, workers and society at large. Upon examination, many of the examples from business success in quality initiatives over the past three decades correspond to the unique features of human dignity-centered principles discussed in this chapter. (Foley, 2015)

Sophocles said that “doing good deeds is man’s most glorious task.” The authors hope this chapter demonstrates that it can also contribute to the success of a viable business model, one that is profitable.

Disclaimer

The views expressed in this chapter are solely those of the authors and they do not reflect the official policy or position of the U.S. Office of Management & Budget or the U.S. Government. The authors have no financial interest in or ownership of any companies mentioned in this chapter.

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