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Spiritual Enterprise: Doing Virtuous Business

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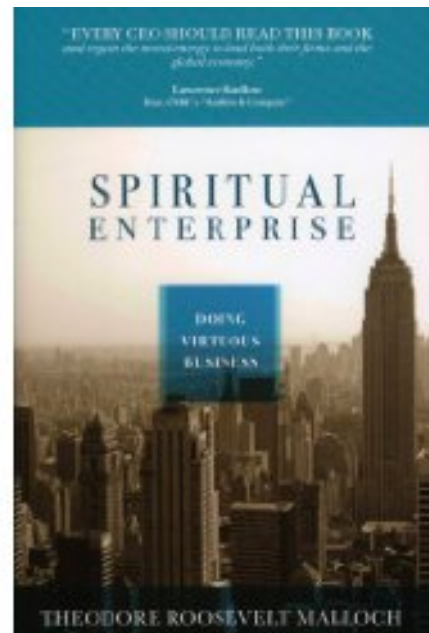
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DANE STARBUCK, J.D.* *Reviewer*
INDIANAPOLIS, INDIANA



*Spiritual Enterprise: Doing
Virtuous Business***
Theodore Roosevelt Malloch

Spiritual Enterprise: Doing Virtuous Business

TONY JONES (an Australian television interviewer):

“Prem Sikka, why do you say that more Enron and WordCom style scandals are inevitable?”

PROFESSOR PREMIER SIKKA, ESSEX UNIVERSITY (author of *Dirty Business: the unchecked power of major accountancy firms*, 2001):

“Well, we have to look at the cultural values by which the business people live. We live in a world where the idea of deregulation and enterprise culture has been dominant, and people are told as long as you make money, that is okay. People are fairly used to ducking and diving, trying to avoid rules and regulations to enrich themselves and there is a dominant belief that the company executives should be paid by reference to the profits they publish, and that gives them economic incentive to massage the numbers, because the more they massage the numbers, higher salaries, higher bonuses, higher share options they receive.

So that people are actually being rewarded on a system which encourages exactly what many of us are being concerned about.

- Television interview on “*Lateline*” broadcast January 1, 2002 on the Australian Broadcasting System

Self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, and respect for human dignity, firm ethical norms — all of these are things that people must possess before they go to market and compete with each other. These are the indispensable supports that preserve both market and competition from degeneration. Family, church, genuine communities and tradition are their sources.

- Wilhelm Ropke, A Humane Economy, 1957
(Published in the forward to Spiritual Enterprise)

Theodore Roosevelt Malloch, founder of the Roosevelt Group, a business strategy company, has written a very important book — Spiritual Enterprise: Doing Virtuous Business (Encounter Books, 2008). Everyone should read it in business. It should be studied. It should be discussed and embraced, especially by academic and business leaders who truly want to know how successful companies operate and endure.

The reason for adopting the book's insights is not solely because of disturbing headlines that have dominated the front pages of newspapers for the past decade: the shenanigans of Enron's Jeffrey Skilling and Kenneth Lay; the dishonesty surrounding convicted felon Bernard ("Bernie") Ebbers' running of WorldCom; and the recently alleged \$50 billion "Ponzi" scheme, apparently long practiced by previously revered investment manager Bernard Madoff.

In years to come, other business scandals will be disclosed — the names and companies will change, but the underlying mischief will be the same: CEOs, board of directors, and others with fiduciary duties will abuse the trust engendered to them for quick personal gain, often to the detriment of shareholders, employees, customers, and the confidence of the general public.

Look at the movers and shakers behind the "sub-prime" mortgage fiasco and you'll find a panoply of managers who were at fault. They were willing to bundle and sell "funny paper" because it gained their banks a quick profit and themselves a promotion or generous bonus. Who wants to hold onto a 6%, 30-year mortgage anymore? How passé! (No doubt, after the free fall of the past few months, there are thousands of out-of-work mortgage brokers who would jump at a chance to manage such a "boring" loan portfolio.)

What we saw prior to the burst of the technology bubble in 1999 and 2000 and the tumultuous stock market tumble of 2008 is a big hype of or run-up in corporate profits and stock prices. Tech gurus and CEOs became the darlings of the business world comparable to many Hollywood movie stars, only to implode — like many stars themselves — due to personal lapses, abuses, self-aggrandizement, and inability to see anything beyond the next business quarterly report and the pay increases, bonuses, and stock options that would follow.

What is left are investors who have lost fortunes, laborers who have lost jobs and pensions, and a disgruntled populace calling for the heads of CEOs, along with greater government oversight of all business. Now even legitimate and well-run companies must pay the price of higher transaction costs and burdensome regulation for the abuses of the few. (Let everyone who is a big fan of *Sarbanes-Oxley* stand up quickly and shout — "All we need is more regulation and another big-name accounting firm to keep this company legal!")

Remarkably, and much to my initial surprise, Malloch does not discuss much about the corporate abuses of recent decades. I initially thought this was a fault or oversight of the book. However, upon a second reading, I understand perhaps why Malloch did not spend much time castigating the “barbarians at the gate.” He knows that Americans are already well-versed about the highly publicized corporate scandals. He preferred to spend his ink discussing truly virtuous businesses and why they are the rule, not the exception — just the opposite in the minds of most readers. Such a shame Malloch’s treatise will probably only sell a fraction of the copies of books like The Smartest Guys in the Room, the best-selling tome that laid open the arrogance of the “Enron gang.”

So what is “Spiritual Enterprise?” And what does Malloch have to say about it that deserves our attention? First, spiritual enterprise is not just a belief or concept that belongs to any one religion, whether that religion is Christian, Judaism, Buddhism, Islam, Hinduism, or any other. Most world religions embrace the qualities that are necessary for spiritual capital to exist. As Malloch observes, this factor explains why too much has been made of Max Weber’s 1921 groundbreaking work, The Protestant Ethic and the Spirit of Capitalism, in explaining the dynamism of capitalism in Western Europe and the United States in recent centuries.

Second, spiritual enterprise recognizes and pays homage to a transcendent being. It is this attribute that distinguishes it from other codes of ethics. One can have a code of conduct (i.e., universities and businesses are rife with elaborate codes of behavior); however, conduct based upon “spiritual enterprise” differs from simply following a mindless list of behavioral norms, because such conduct associates qualities that only make sense through recognition and observance of a God or Creator to whom all humans answer. Thus, any code of conduct can dictate that an owner or employee must be honest and transparent, but only through “spiritual enterprise” does the norms of attitude and behavior include qualities such as “gratitude,” “humility,” and “faith.”

So why, then, is spiritual enterprise so essential to an economically vibrant and prosperous society? Virtue is the basis upon which true wealth is created. It is the underpinning ingredient of the capitalist system; without virtue, contracts cannot hold, employees can’t be trusted not to walk out the door with the shop; and CEOs can’t be trusted not to “cook the books” to hide management ineptitude or malfeasance. But more importantly, because of the pursuit of spiritual enterprise, profit is the “result” of behavior consistent with the belief but not the sole “motive.”

The motives of spiritual enterprise are to manufacture a product or provide a service that satisfies a legitimate need, to treat employees and customers humanely, and to further “hard virtues,” identified by Malloch, such as leadership, courage, patience, perseverance, and discipline, and “soft virtues” such as justice, compassion, forgiveness, gratitude, and humility. If these qualities are pursued with integrity, then profit will likely follow. However, if profit becomes the enterprise’s sole motive, then almost any conduct is justified in its (profit’s) singular pursuit (e.g. sub-prime meltdown, Enron and WorldCom structuring highly questionable deals to inflate corporate earnings and stock prices and then finding auditors who would validate almost any numbers game.)

As Malloch adroitly observes, both those who embrace spiritual enterprise and those who do not benefit from its existence. Yet, only those who follow the tenets of spiritual enterprise add to the reservoir of social capital; those who disregard or flagrantly reject its tenets erode it. Thus, if abuses become too great, we lose faith in the capitalistic system and calls abound for burdensome reform or, in some situations, outright overthrow of free enterprise in preference for business control by a central government.

Malloch’s book deals with the immutable principles that undergird any successful society, not just a society that has achieved economic prosperity. Economic prosperity is the end result of embracing

certain principles. Malloch supports his theory by briefly discussing companies and their leaders who embrace the qualities of “spiritual enterprise.” Here are a few of the many that Malloch highlights:

Courage— Tom Phillips, CEO of Phillips International. Phillips launched his publishing company with two newsletters, three employees, and a \$1,000 start-up investment. By 1996, the company had passed \$1 billion in lifetime sales. It took courage for Tom Phillips to start in his basement and to pursue success in the highly competitive publication world.

Humility— Millard and Linda Fuller, Founders, Habitat for Humanity. Before the Fullers were 30 years old, they had achieved financial success; however, they believed that the pursuit of only business sacrificed their marriage and health. As a result, they searched for a new direction and found it in creating a ministry in housing. To date, Habitat for Humanity has built more than 175,000 homes in 3,000 communities worldwide.

Respect— Michael Volkema, Chairman, Herman Miller. Herman Miller has been ranked as the “Most Admired” company in the furniture industry in *Fortune* magazine’s annual survey of American corporations for 19 of the past 21 years. With 7,000 employee-owners, Herman Miller operates in more than 40 countries and generated more than \$1.7 billion in gross income in 2006. At the top of Volkema’s list of objectives is to treat the company’s employee-owners with the utmost respect.

Patience— Robert Price, CEO, PriceSmart. Price founded PriceSmart, a warehouse retail business, along with his father in 1993. PriceSmart has brought the concept of warehouse retail business to warehouse clubs in 12 different countries. In launching PriceSmart, Robert Price learned the value of patience as he overcame the prospect of bankruptcy in the early years of the company and the loss of his teenage son to brain cancer.

Business schools, corporations, and anyone interested in understanding the foundation upon which enduring wealth, social capital, and corporate longevity is achieved would profit from Malloch’s book. It is more insightful than well-known books like Good to Great or Excellence, because it uncovers the root issues.

Spiritual Enterprise should be required reading in business courses and found on conference tables, preferably open, in corporate boardrooms across America, Europe, Asia, and beyond. It is at our peril if we refuse to acknowledge and embrace this intangible but incredibly important human dynamism.

* Dane Starbuck is a practicing attorney in Carmel, Indiana, and a member or director of several not-for-profit organizations interested in civic and economic education.

**Spiritual Enterprise is available through its publisher, *Encounter Books*, and through major booksellers including Borders, Barnes & Noble, and Amazon.