

25th Annual Conference of the European Business Ethics Network
Work, Virtues and Flourishing. Better people, better organizations, better societies
IESE Business School, Barcelona, September 20-22, 2012

EABIS – The Academy of Business in Society
Special Panel on
Practical Wisdom for Management from the Spiritual and Philosophical Traditions
Barcelona, September 20, 2012

Practical wisdom for management from the Christian tradition
Metaprofit managerial style and the role of gratuitousness for the development of
practical wisdom

Prof. Giorgio Mion
Department of Business Administration – University of Verona
International Observatory «Card. Van Thuân» for Social Doctrin of the Church

Summary

1. Interpretative paradigms and development of managerial thinking: the limitations of “profit”
2. The Christian tradition: from “*Ora et Labora*” to “*Caritas in Veritate*”
3. Towards metaprofit as a managerial style

1. Interpretative paradigms and development of managerial thinking: the limitations of “profit”

In order to understand the contribution by the Christian Thought to the development of managerial theories, it appears necessary, in the first place, to make reference to the limitations shown by such theories over the past decades; these “failures” concern only in part the operating tools developed for entrepreneurial governance but their origin is found in the underlying concept of enterprise, i.e. in the interpretative paradigms adopted (Kuhn, 1996; Popper, 1959). The aim of this paper is to start off from such limitations in order to develop a discussion relating to the contribution that the Christian tradition– and, in particular, the Catholic Social Thought – makes to contemporary managerial thinking.

Both managerial theories and other scientific disciplines that have focused on the enterprise have interpreted it as a mere *producer of profit* for the benefit of *stockholders*; therefore

the enterprise is the tool that an individual (the entrepreneur) or a group of individuals establish for the main purpose of increasing their assets. The goal of the enterprise is, therefore, to “make as much money as possible” (Friedman, 1970), in line with the individual purposes of specific categories of people (Jensen, Mecking, 1976; Jensen, 2002). This egoistic yearning underlying the enterprise is also interpreted as ethically positive, to the extent that only the complete fulfilment of individual requirements allows, as a natural consequence, the achievement of social welfare.

In particular, the development of the principal agent theory and the resulting agency theory is supported by this basic assumption: the essential stakeholder of an enterprise is the owner/stockholder and the business must be conducted in such a way as to generate the maximum profit for said stakeholder. Therefore, it is of little importance if this profit is represented by monetary flows (dividends) or by the maximization of value on the stock exchange.

In the enterprise model devised by the agency theory, the specific responsibility of the managers is to meet the individual profit requirements of the owners, by wisely steering management towards this objective. Within the agency relationship, there may occur potential conflicts between the management and the owners which should, however, be solved by steering the purposes of the agents (managers) towards those of the principal (the stockholder) through the use of economic and contractual tools (Garen, 1994). In other words, should there arise conflicts between the interests of the two categories of stakeholders, they should be solved by acting on the individual motives of the managers and bringing these into line with those of the owners.

It is obvious how the essential lever for acting is the individual profit, towards which the actions undertaken must converge on pain of failure; a “wise” management of the enterprise, therefore, allows to maximize the value for the stockholder, excluding – or restricting as much as possible – the introduction of other goals into the business strategy.

The stakeholder theory, which was developed in opposition to the above approach, goes beyond the monopolistic view of the enterprise as a slave to the sole purposes of the stockholders and includes, among the main players in the business strategy, a number of stakeholders (employees, customers, lenders, sector, etc.) (Freeman, Reed, 1983). The stakeholder theory – which was generated as a strategic approach and later developed as an ethically descriptive approach (Donaldson, Preston, 1995) – considers the enterprise as a wide center of miscellaneous interests, expressed by entities that, in different capacities, enter into a relationship with the enterprise.

Even though it is obvious how the set of purposes included in the managerial responsibili-

ties has widened, it is just as clear that, in the real world, a manager – when called upon to make concrete business choices – will be forced to make a choice and, if faced with irreconcilable conflicts, will favor the specific interests of particular categories of stakeholders while neglecting others.

By looking at the enterprise as a tool for achieving individual economic purposes, there ensues a dominant interpretative paradigm that will guide the various approaches to strategic management. As part of social sciences, it is not possible to interpret the paradigms as having a mere descriptive role, in view of the nature of the phenomena being examined; instead, they tend to modify reality and forge it according to the underlying ideal model.

This results in the belief that, even though certain empirical observations appear to uphold the mainstream theories and, in particular, the view of the principal agent theory, they are significantly conditioned by the benchmark paradigm by which they are examined; indeed, managerial practices and their background philosophy clearly depend on the underlying view of the enterprise and, eventually, of man (Jensen, Meckling, 1994).

In other words, the manager's role and responsibilities are restricted to a scenario in which egoistic requirements are met to the extent to which the enterprise is seen as a center of individualistic requirements: management develops as a result of the benchmark paradigm and, if the latter considers a human being as an individual prone to the mere satisfaction of its needs, the enterprise management will follow such an approach.

This approach is restrictive and, in many cases, a failure; first of all because it creates ongoing conflicts *inside* the enterprise and *around* the enterprise, and such conflicts cannot but hinder value creation.

Moreover, it focuses only on one real aspect of human behavior in the area of the economy, and yet it is incapable of fully describing the economic agent and his behavior. This approach, therefore, cannot provide an effective and in-depth description of reality and guide it consistently.

The age-old Christian tradition and, in particular, the social thinking developed over the last 120 years can offer an interesting contribution to the review of the benchmark paradigm, by shifting the focus from the individual dimension to the person-focused dimension of the economic agent. This allows the restructuring of the view of the enterprise from a community perspective, without denying the existence of individualities focusing on the *own* good, but at the same time stressing the relational dimension of the individual. The latter can find full satisfaction with its own being only in a social context that strives for the common good, which cannot be described as the simple sum of individual assets.

This paradigm allows to significantly change the view of the enterprise which becomes a *community of entities operating towards a common interest*¹, in which they recognize a part of their individuality; indeed, no stakeholder, on the one hand, exhausts its personality within the economic activity and, on the other, is excluded from the community of interests which occurs in the enterprise.

Thus the enterprise becomes an independent entity vis-à-vis the single individuals that operate within it and the responsibilities of management may be better identified and limited; indeed, such individuals are responsible for operating in favor of the *common good* of the enterprise and, ultimately, of the social community that established it². This responsibility is *relational* – either internally or externally³ – in nature because it is not predetermined in a static model which may be valid for all circumstances, but is rather dynamic and changes with the changing of the benchmark context, i.e. the features of the benchmark social community, the environmental restraints and opportunities, the requirements expressed by external stakeholders, the long term prospects, etc.

As a result, there exists a different paradigm through which the enterprise may be “viewed” and managed: this paradigm collects and processes the Christian tradition, thus contributing to the development of a wise and far-sighted corporate governance.

2. The Christian tradition: from “*Ora et Labora*” to “*Caritas in Veritate*”

Therefore, the essential contribution of the Catholic Social Thought to the field of management, does not concern the mere development of moral and good behavior laws, as these fall within the individual choices by single managers or entrepreneurs. Instead, it allows the reformulation of useful benchmark paradigms to observe corporate phenomena (Crepaldi, Fontana, 2006), in such a way as bring about a deep change in the background management philosophy (Lessen et al., 2011; Naughton et al., 2010): this results, as a natural consequence, in

¹ «In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a *community of persons* who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society». JOHN PAUL II, *Centesimus Annus*, 1991, n. 35.

² «Economic activity cannot solve all social problems through the simple application of *commercial logic*. This needs to be *directed towards the pursuit of the common good*, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution» BENEDICT XVI, *Caritas in Veritate*, n. 36.

³ «The Church’s social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or “after” it». BENEDICT XVI, *Caritas in Veritate*, n. 36.

individual operating choices. The change in perspective concerning the enterprise and management causes, with a cascading effect, a set of consequences on the corporate governance style that involve the various aspects of management and, in particular, those that entail relationships with employees, customers and suppliers, the sector, etc.

This Christian wisdom regarding the enterprise has its roots in the origins of the evangelical message and, earlier, in the Old Testament tradition; however, an important crucial development – which is a forerunner to a managerial style aimed at the common good – stems from the Benedictine rule which finally turned on its head the view of work in the Western world (Bruni, Smerilli, 2008). Indeed, with St. Benedict from Norcia, work became a spiritual experience and, therefore, an endeavor that qualifies the human being in all its fullness (Mion, 2011).

In summary, the Benedictine monastic rule contains the anthropological view of the enterprise typical of the Christian Thought as it links man's spiritual dimension to its work: the *quality* of the latter does not depend (solely) on a moral law steered by others, but rather on the ontological need of a human being to achieve its complete fulfilment in its dual dimension, both material and spiritual. This anthropological view, which is upheld by the Magisterium (Gaudium et Spes, n. 3) is obvious in the rule whereby St. Benedict dictates the pace of the Monastery by alternating prayer and work⁴, albeit not diminishing work to an instrumental subject, but rather by elevating its role as an essential factor for *being* a monk.

The Benedictine perspective of work – especially manual work – was a revolution within Western thinking, for which work was a degrading task left to the slaves, so that time could be dedicated to noble arts, warfare and religious worship. The *ethos* of work was deeply changed, as it was interpreted as a service to one's own self for the purpose of completely implementing the divine plan for human beings.

Work was elevated to a liturgical element that concerned the relationship between a monk and God and the community. According to the Benedictine rule, a plough, the traditional symbol of manual work, was not “third party” to the worship of the Almighty, but rather an inte-

⁴ «Idleness is the enemy of the soul. The brethren, therefore, must be occupied at stated hours in manual labor, and again at other hours in sacred reading. To this end we think that the times for each may be determined in the following manner. From Easter until September the 14th, the brethren shall start work in the morning and from the first hour until about the fourth do the tasks that have to be done. From the fourth hour until about the sixth let them apply themselves to reading. After the sixth hour, having left the table, let them rest on their beds in perfect silence; or if anyone wishes to read by himself, let him read so as not to disturb the others. Let Nones be said early, at the middle of the eighth hour; and let them again do what work has to be done until Vespers. But if the circumstances of the place or their poverty require them to gather the harvest themselves, let them not be discontented; for then are they truly monks when they live by the labor of their hands, like our fathers and apostles. Yet let all things be done in moderation of the faint-hearted» *The Rule of Saint Benedict*, n. 48.

gral part of it: a monk based his existence around the cultivation – from both a liturgical and study viewpoint – of the Word, and work too became a cultural experience stemming from the encounter with God the Creator.

A further innovative element of the Benedictine rule in the Christian Thought should be added to this: the community dimension of the monastic experience (Galbraith, Galbraith, 2004); this stresses, in contrast with the previous and contemporary hermitic experiences in St. Benedict's rule, the relational and social element of the human being, whose fulfilment in the *ora et labora* occurs *inside a community* that prays and works together.

This results in a view of the human economic activity that is at the same time *spiritual*, as it elevates man in the relationship with God, and *social*, because it makes him harmoniously integrated with a community rather than independent from it. Therefore, St. Benedict's rule overtly introduces a new wisdom in interpreting the relationship between a human being and its economic endeavors: in this relationship man is an *entity* in touch with the creation, fellow creatures and God and in it he finds the space to completely fulfil himself. The Benedictine monastic experience rather than being an exception, introduces a new way of considering work and enterprise that then became dominant in the early middle ages.

The later development of the Christian Thought depended on the preoccupation with the concept of man-agent and his relationship with the enterprise seen as an institution; this yearning re-emerged in the production of the Magisterium which began with the 1891 Encyclical *Rerum Novarum* and continued, with varying intensity, throughout the whole of the 20th century.

It is particularly worthwhile to highlight three synthetic elements that emerged with the unraveling of the social thinking and that are useful to comprehend how it can be possible to conceive a management inspired by the Christian anthropological paradigm:

1. the community view of the enterprise stemming from the social nature of the human being: it views the enterprise as a center where different people with different interests enter into a *relationship* and a *mutual exchange* for the purpose of attaining the common good;
2. the concept of profit as a tool to measure corporate success and not as an independent goal of the enterprise or a particular category of its stakeholders⁵;

⁵ «The Church acknowledges the legitimate *role of profit* as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm's condition. It is possible for the financial accounts to be in order, and yet for the people — who make up the firm's most valuable asset

3. the preference for cooperation as a style of governance rather than any kind of conflict⁶ that denies the community of intents between different stakeholders and focuses on the personal fulfilment *as opposed or in alternative* to the fulfilment of other entities.

The above considerations give rise to an anthropocentric and relational view of the enterprise, whose features are gradually defined over time, also according to the evolution of managerial thinking; in particular, it is the progressive dominance of individualistic views, typical of mainstream theories, and the failure of the Marxist regimes that fuels the reflection on managerial aspects. In particular, the instrumental concept of profit – which clearly emerged in the 1991 Encyclical *Centesimus Annus* – looks like a modern amended version of the ancient Benedictine rule: the individual and the community are at the center of the economic discourse rather than a short-term utilitarian goal.

Finally the Papal Encyclical *Caritas in Veritate* – which has recently been published – re-interprets the changed contemporary reality in light of the essential principles of the Christian Social Thought; whilst not changing the background philosophy, it allows the updating of the invariable principles of social thinking in a context of ongoing change.

From the complex considerations underlying the *Caritas in Veritate*, we should extrapolate two contributions that are important with a view to reflecting on the role of management:

1. the introduction of the concept of “gratuitousness” in the enterprise jargon⁷: this is a category already widespread in many social sciences, but to date almost alien to management. This category purports to stress the complexity of the human approach to economic issues; indeed, gratuitousness and economic endeavor are not antithetic concepts, but rather elements that can co-exist in a harmonious dialogic relationship. Gratuitousness – and likewise an efficient organization – contributes to the creation of a fair socio-economic system which is capable of providing a concrete answer to human requirements; it does not hinder the correct performance of economic business endeavors but actually contributes to improve them in terms of responsibility and fraternity;
2. the recognition of the value of the many organizational forms of the enterprise, which is useful in order to improve market relationships and make the market fairer and more

— to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency» JOHN PAUL II, *Centesimus Annus*, n. 35.

⁶ Social teaching of the Church «... recognizes the legitimacy of workers' efforts to obtain full respect for their dignity and to gain broader areas of participation in the life of industrial enterprises so that, while cooperating with others and under the direction of others, they can in a certain sense “work for themselves” through the exercise of their intelligence and freedom». JOHN PAUL II, *Centesimus Annus*, n. 43.

⁷ «Gratuitousness is present in our lives in many different forms, which often go unrecognized because of a purely consumerist and utilitarian view of life. The human being is made for gift, which expresses and makes present his transcendent dimension». BENEDICT XVI, *Caritas in Veritate*, n. 34.

efficient; this results in overcoming the ideal of the large capitalistic enterprise as a privileged way for development, in favor of the introduction of different organizational forms that facilitate civil participation and economic democracy.

Here we can see the emergence of a guiding thread that links the Benedictine rule to the latest Magisterium: the central role of the individual, seen as a complex entity that cannot be restricted to a single dimension, i.e. the economic dimension, not even when it is involved in carrying out economic activities; therefore, on this anthropological view we can build an alternative view of management, driven by human promotion and economic democracy.

3. Towards metaprofit as a managerial style

The age-old Christian wisdom has always encouraged man – seen as a whole entity irrespective of his occupational role (entrepreneur, manager, worker, ...) – to “look beyond”, instead of restricting his horizons to contingent circumstances, but rather incorporating them in a wider project; this approach is linked to the observation of the complex world of entrepreneurship that, over the centuries, has developed in a variety of ways. We cannot deny the existence of a plurality of organizational enterprise forms that combine economic goals and social goals: this is not an ideal to be achieved but a widespread *modus operandi* adopted by cooperatives, social enterprises, non-government organizations, operating foundations, family businesses, craft enterprises and a number of small and medium-sized businesses. Some of these enterprises have developed from the Christian experience of religious orders and movements; many others have originated from the natural drive to social entrepreneurship and cooperation on the part of human beings. It is these latter experiences that reassert the correctness of the analysis that the Catholic Social Thought conducts on the human being and its inner nature.

These models, that are alternative to the large capitalistic enterprise, stand out for the strict link between the economic dimension of the productive activity and the social dimension which underlies the purposes of the agents and the internal and external relationship models. The prospering of civil economic entities, whilst allowing the implementation of a democratic and pluralistic socio-economic system, is evidence of an anthropological-type corporate culture that reveals itself in the various spheres of corporate governance: industrial relationships, investment plans, social communication, relationship with customers and suppliers, sharing resources and skills within the sector, etc.

The observation of the corporate world through the anthropological paradigm stemming from Christian culture allows us to trace a new *metaprofit* managerial style; this expression purports to highlight the instrumental function of the economic circuits and the relevant value creation vis-à-vis the complete fulfilment of the individual and the social communities. The etymology of the new expression "*metaprofit*" lies in the dual meaning of the Greek prefix "μετά" as "*beyond*" and "*through*" profit generation; therefore it combines the experience of the spiritual dimension of work and the concreteness of social thinking.

The *metaprofit* managerial style has a clear ethical dimension (Oliver et al., 2010) because it originates from a particular *ethos* of work and enterprise but also acquires a typically managerial connotation as it does not deny the need of the ongoing strive for economic value creation, but rather it places it in a wider and more complex goal-driven context. As a result, the Catholic Social Thought may interact with managerial disciplines not only as an independent moral approach acting on individual motives, but especially as an approach that adds meaning to the understanding of management and organizations.

Since the interpretative paradigm of reality tends to change reality itself, when the latter consists of social relationships (albeit economic in nature), this contribution concerns the ability to open up managerial disciplines to an *ethos*-based dimension in order to understand themselves and their role.

Managerial theories are unsatisfactory if they restrict themselves to the ethical dimension, putting forward a technocratic image of themselves and its study objects; this is a reductive and anthropologically damaging logic.

As a result of a restricted view of man, some enterprise theories include, among their basic assumptions, a restricted and reductive view of social organizations as they consider the various "companies" as a disorderly hotchpotch of individual interests that they are then forced to classify in scientific categories; it is obvious that we are dealing with the widening, at a collective level, of the concept of utilitarianism that denies the existence of a common good having independent importance. This latter form of reductionism is in contrast with the social essence of man and the ethical quality of social organizations, as well as with the community enterprise concept.

Gratuitousness, being an essential component of the *metaprofit* style, stresses that human work and enterprise are the answer to the vocation, typical of man and its humanity, to make use of a gift it has received and which it is not possible to avoid. Gratuitousness is the economic image, so to speak, of charity and as such it is deeply rooted in a human being as the receiver of a gift for which it is responsible; therefore, it is not a moral approach that man may

adopt if he accepts a particular value-based approach, but rather a dimension that is attached to his anthropological quality as a creature. The symbolic and relational nature of assets entails that their cautious management is an ethical task that combines economic endeavor and gratuitousness.

Therefore, ultimately, a discussion on the rationale of management cannot be reduced to a merely phenomenological level, as in fact it needs to be opened up to a whole anthropological dimension in understanding the acting entity and, consequently, its economic tool.

In conclusion, we can say that management is not only a technocracy, but it's also a wise governance of a community. Practical wisdom grows with gratuitousness, because gratuitousness is a responsible management of gift; and a man who can manage a gift, can also manage a firm.

References

- II VATICAN COUNCIL, *Gaudium et Spes*, 1965
- BENEDICT XVI, *Caritas in Veritate*, 2009
- BRUNI LUIGINO – SMERILLI ALESSANDRA, *Benedetta economia*, Città Nuova, Roma, 2008
- CREPALDI GIAMPAOLO – FONTANA STEFANO, *La dimensione interdisciplinare della Dottrina sociale della Chiesa*, Cantagalli, Siena, 2006
- DONALDSON THOMAS – PRESTON LEE E., *The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications*, in *The Academy of Management Review*, 20(1995)1
- FREEMAN R. EDWARD – REED DAVID L., *Stockholders and stakeholders: a new perspective on corporate governance*, in *California Management Review*, 25(1983)3
- FRIEDMAN MILTON, *The Social Responsibility of Business is to Increase Its Profit*, in *The New York Times Magazine*, September 13th, 1970
- GALBRAITH CRAIG S. – GALBRAITH OLIVER III, *The Benedictine Rule of Leadership: Classic Management Secrets You Can Use Today*, Adams Media, 2004
- GAREN JOHN E., *Executive Compensation and Principal-Agent Theory*, *Journal of Political Economy*, 102(1994)6
- JENSEN MICHAEL C., *Value Maximization, Stakeholder Theory and the Corporate Objective Function*, in *Business Ethics Quarterly*, 12(2002)2
- JENSEN MICHAEL C. – MECKLING WILLIAM H., *Theory of the firm: Managerial behavior, agency cost and ownership structure*, in *Journal of Financial Economics*, 3 (1976)4
- JENSEN MICHAEL C. – MECKLING WILLIAM H., *The nature of man*, in *Journal of Applied Corporate Finance*, 7(1994)2
- JOHN PAUL II, *Centesimus Annus*, 1991
- KUHN THOMAS S., *The structure of scientific revolutions*, 3rd edition, The University of Chicago Press, Chicago, 1996
- LENSSEN GILBERT - MALLOCH THEODORE ROOSEVELT - CORNUEL ERIC - KAKABADSE ANDREW, *Practical wisdom in management from the religious and philosophical traditions*, *Journal of Management Development*, 30(2011)7/8
- MION GIORGIO, *La regola di San Benedetto ed il lavoro quale esperienza spirituale*, *Bollettino di Dottrina Sociale della Chiesa*, (2011)4
- NAUGHTON, MICHAEL J. - HABISCH, ANDRÈ – LENSSEN GILBERT, *Practical wisdom in management from the Christian tradition*, *Journal of Management Development*, 29(2010)7/8
- OLIVER DAVID - STATLER, MATTHEW - ROOS, JOHAN, *A Meta-Ethical Perspective on Organizational Identity*, *Journal of Business Ethics*, 94(2010)3
- POPPER KARL, *The logic of scientific discovery*, Harper, New York, 1959
- The Rule of Saint Benedict*