VOCATION OF THE

BUSINESS LEADER

A REFLECTION

Caritas in VERITATE

Faith and BUSINESS

From the 24th to 26th of February 2011 a seminar entitled *"Caritas in Veritate: The Logic of Gift and the Meaning of Business"* was held at the Pontifical Council for Justice and Peace (PCJP), in collaboration with the *John A. Ryan Institute for Catholic Social Thought* of the Center for Catholic Studies at the University of St. Thomas and the *Ecophilos Foundation*. The meeting followed the October 2010 conference *"Caritas in Veritate and the USA"*, which the PCJP held in partnership with the *Institute for Advanced Catholic Studies* of Los Angeles, and continued its study of business organizations in light of Pope Benedict XVI's social encyclical *Caritas in Veritate*. Underlying both meetings is the Church's firm conviction that every Christian is called to practice charity in a manner corresponding to his vocation and according to the degree of influence he wields in the *polis* (CIV, 7).

Business men and women, university professors, and experts on the subject contributed to *"Caritas in Veritate: The Logic of Gift and the Meaning of Business"* in an innovative way. Their discussions centered on a volume of texts, previously prepared and published, which facilitated the debate that took place during the three-day seminar at the Pontifical Council for Justice and Peace.

The working days were intense and profitable. Indeed, the meeting resulted in the resolution to write out a kind of *vade-mecum* for business men and women, a handbook to be utilized by professors in formative moments and for instruction in schools and universities. This is the way in which the reflections contained in this volume, *"The Vocation of the Business Leader"*, came to light. The volume is intended to be an educational aid that speaks of the "vocation" of the business men and women who act in broad and diverse business institutions: cooperatives, multinational corporations, family businesses, social businesses, for-profit/non-profit collaborations etc.; and of the challenges and opportunities which the business world offers them in the context of intense technological communications, short-term financial practices, and profound cultural changes.

Business leaders are called to engage the contemporary economic and financial world in light of the principles of *human dignity* and the *common good*. This reflection offers business leaders, members of their institutions, and various stakeholders a set of *practical principles* that can guide them in their service of the common good. Among these principles, we recall the principle of *meeting the needs of the world* with goods which are *truly good* and which *truly serve* without forgetting, in a spirit of solidarity, the needs of the poor and the vulnerable; the principle of *organising work within enterprises* in a manner which is *respectful of human dignity*; the principle of subsidiarity, which fosters a spirit of initiative and increases the competence of the employees—considered "co-entrepreneurs"; and, finally, the principle of the *sustainable creation of wealth* and its *just distribution* among the various stakeholders.

In these difficult times for the world economy, during which many business men and women suffered the consequences of crises that deeply reduced the income of their enterprises, risked their survival, and threatened many jobs, the Church does not relinquish the hope that Christian business leaders will, despite the present *darkness*, restore trust, inspire hope, and keep burning the light of faith that fuels their daily pursuit of the good. Indeed, it is worth recalling that Christian faith is not only the light that burns in the heart of believers but also the propulsive force of human history.

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EXECUTIVE SUMMARY:

When businesses and market economies function properly and focus on serving the common good, they contribute greatly to the material and even the spiritual well-being of society. Recent experience, however, has also demonstrated the harm caused by the failings of businesses and markets. The transformative developments of our era—globalisation, communications technologies, and financialisation—produce problems alongside their benefits: inequality, economic dislocation, information overload, financial instability and many other pressures leading away from serving the common good. Business leaders who are guided by ethical social principles, lived through virtues and illuminated for Christians by the Gospel, can, nonetheless, succeed and contribute to the common good.

Obstacles to serving the common good come in many forms—lack of rule of law, corruption, tendencies towards greed, poor stewardship of resources—but the most significant for a business leader on a personal level is leading a "divided" life. This split between faith and daily business practice can lead to imbalances and misplaced devotion to worldly success. The alternative path of faith-based "servant leadership" provides business leaders with a larger perspective and helps to balance the demands of the business world with those of ethical social principles, illumined for Christians by the Gospel. This is explored through three stages: *seeing, judging*, and *acting*, even though it is clear that these three aspects are deeply interconnected.

SEEING the challenges and opportunities in the world of business is complicated by factors both good and evil, including four major "signs of the times" impacting business. *Globalisation* has brought efficiency and extraordinary new opportunities to businesses, but the downsides include greater inequality, economic dislocation, cultural homogeneity, and the inability of governments to properly regulate capital flows. *Communications Technology* has enabled connectivity, new solutions and products, and lower costs, but the new velocity also brings information overload and rushed decision-making. *Financialisation* of business worldwide has intensified tendencies to commoditise the goals of work and to emphasise wealth maximisation and short-term gains at the expense of working for the common good. The broader *Cultural Changes* of our era have led to increased individualism, more family breakdowns, and utilitarian preoccupations with self and "what is good for me". As a result we might have more private goods but are lacking

significantly in common goods. Business leaders increasingly focus on maximising wealth, employees develop attitudes of entitlement, and consumers demand instant gratification at the lowest possible price. As values have become relative and rights more important than duties, the goal of serving the common good is often lost.

JUDGING: Good business decisions are those rooted in principles at the foundational level, such as respect for human dignity and service to the common good, and a vision of a business as a community of persons. Principles on the practical level keep the business leader focused on:

• producing goods and services that meet genuine human needs while taking responsibility for the social and environmental costs of production, of the supply chain and distribution chain (serving the common good, and watching for opportunities to serve the poor);

• organising productive and meaningful work recognising the *human dignity* of employees and their right and duty to flourish in their work, ("work is for man" rather than "man for work") and structuring workplaces with *subsidiarity* that designs, equips and trusts employees to do their best work; and

• using resources wisely to create both profit and well-being, to produce sustainable wealth and to distribute it *justly* (a just wage for employees, just prices for customers and suppliers, just taxes for the community, and just returns for owners).

ACTING: Business leaders can put aspiration into practice when they pursue their vocation, motivated by much more than financial success. When they integrate the gifts of the spiritual life, the virtues and ethical social principles into their life and work, they may overcome the divided life, and receive the grace to foster the integral development of all business stakeholders. The Church calls upon the business leader to *receive*—humbly acknowledging what God has done for him or her—and to *give*—entering into communion with others to make the world a better place. *Practical wisdom* informs his or her approach to business and strengthens the business leader to respond to the world's challenges not with fear or cynicism, but with the virtues of faith, hope, and love. This document aims to encourage and inspire leaders and other stakeholders in businesses *to see* the challenges and opportunities in their work; *to judge* them according to ethical social principles, illumined for Christians by the Gospel; and *to act* as leaders who serve God.

PRACTICAL WISDOM

1. In the Gospel, Jesus tells us: "From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked" (Lk 12:48). Businesspeople have been given great resources and the Lord asks them to do great things. This is your vocation. In this young century alone, many businesses have already brought forth marvellous innovations which have cured disease, brought people closer together through technology and created prosperity in countless ways. Unfortunately, this century has also brought business scandals and serious economic disturbances, and an erosion of trust in business organisations and in free-market institutions generally. For Christian business leaders, this is a time that calls for the witness of faith, the confidence of hope, and the practice of love.

2. When businesses and markets as a whole are functioning properly, and are regulated in an effective manner by governments, they make an irreplaceable contribution to the material and even the spiritual well-being of humankind. When business activity is carried out justly and effectively, customers receive goods and services at fair prices; employees engage in good work and earn a livelihood for themselves and their families; and investors earn a reasonable return on their investment. Communities see their common resources put to good use and the overall common good is increased.

3. When managed well, businesses actively enhance the dignity of employees and the development of virtues, such as solidarity, practical wisdom, justice, discipline, and many others. While the family is the first school of society, businesses, like many other social institutions, continue to educate people in virtue, especially those young men and women who are emerging from their families and their educational institutions and seeking their own places in society. Those who come from socially disadvantaged backgrounds and who are threatened with social isolation may also find their places within companies. Furthermore, businesses promote healthy interdependence among the peoples of different nations by promoting interaction between them in a way that is mutually beneficial. They may, thus, become vehicles of cultural engagement and promoters of peace and prosperity.

4. All of these potential benefits encourage the Church to take a lively interest in business. Where businesses succeed, people's lives can be significantly improved; but where they fail, great harm can result. A market economy must be based on the pursuit of the common good in freedom, but freedom without truth leads to disorder, injustice and social fragmentation. Without guiding principles and virtuous leadership, businesses can be places in which expediency overcomes justice, power corrupts wisdom, technical instruments are detached from human dignity, and self-interest marginalises the common good.

5. We wish to speak specifically to Christian business leaders, who have at the heart of their work the deep sense of God's calling to be collaborators in creation. Such leaders play an important role in advancing and bringing to life ethical social principles, drawing on the Catholic social tradition where appropriate, in their day-to-day routines. We also wish to speak to all business leaders of good will who have an influence on the behaviours, values, and attitudes of the people comprising their enterprises. From CEOs to heads of teams to those with informal influence, business leaders of all kinds play a critical role in shaping economic life and creating the conditions for all people to develop integrally through business institutions. Such institutions are broad and diverse, including cooperatives, multinational corporations, small entrepreneurial start-ups, employee-owned businesses, family businesses, social businesses, partnerships, sole-proprietorships, joint ventures with government, for-profit/non-profit collaborations. Some of these businesses are publicly traded stock companies, while most are privately held. Some have revenues larger than many countries, but

most are small. Some are owned by thousands of investors, others are owned by a single person or family. Some are legally defined as for-profit entities, others, in new legal constructs, are termed "social businesses" with a special status. Business is a diverse institution and Pope Benedict XVI has indeed welcomed a mixing of institutional forms.[1]

6.   The vocation of the businessperson is a genuine human and Christian calling. Its importance in the life of the Church and in the world economy can hardly be overstated. Business leaders are called to conceive of and develop goods and services for customers and communities through a form of market economy. For such economies to achieve their goal, that is, the promotion of the common good, they should be structured on ideas based on truth, fidelity to commitments, freedom, and creativity.

7.   Business leaders have a special role to play in the unfolding of creation—they not only provide goods and services and constantly improve them through innovating and harnessing science and technology, but they also help to shape organisations which will extend this work into the future. Blessed John Paul II reminded us in *Laborem Exercens*: "Man, created in the image of God, shares by his work in the activity of the Creator and that, within the limits of his own human capabilities, man in a sense continues to develop that activity and perfects it as he advances further and further in the discovery of the resources and values contained in the whole of creation".[2]

8.   Building a productive organisation is a primary way in which businesspeople can share in the unfolding of the work of creation. When they realise that they are participating in the work of the Creator through their stewardship of productive organisations, they may begin to realise the grandeur and awesome responsibility of their vocation.

9.   Businesses certainly have the potential to be a force for great good in any society, and many do live up to their moral and economic promise. Numerous obstacles, however, may stand in the way of realising this potential. Some of these obstacles are external to the business and its leaders usually have a limited capacity to influence them, such as the absence of the rule of law or international regulations, corruption, destructive competition, crony capitalism, excessive state intervention, or a culture hostile to entrepreneurship in one or more of its forms. Others are internal, such as treating employees as mere "resources", treating the business itself as no more than a commodity, rejecting a proper role for government regulation of the market place, making money out of products which are not truly good, or services which do not truly serve, or exploiting natural and human resources in a destructive way.

BEYOND CAREER
TO CALLING

10. Chief among these obstacles at a personal level is a *divided life*, or what Vatican II described as "the split between the faith which many profess and their daily lives". The Second Vatican Council saw this split as "one of the more serious errors of our age".[3] Dividing the demands of one's faith from one's work in business is a fundamental error which contributes to much of the damage done by businesses in our world today, including overwork to the detriment of family or spiritual life, an unhealthy attachment to power to the detriment of one's own good, and the abuse of economic power in order to make even greater economic gains. In this regard, the Church remains mindful of the words of Jesus himself: "No one can be the slave of two masters. He will either hate the first and love the second or be attached to the first and despise the second. You cannot love both God and money" (Mt 6:24). Business leaders who do not see themselves serving others and God in their working lives will fill the void of purpose with a less worthy substitute. The divided life is not unified or integrated: it is fundamentally disordered, and thus fails to live up to God's call.

11. Fragmentation of this kind can ultimately lead to idolatry, an all-too-common occupational hazard of business life, one which threatens both individuals and organisations. It means abandoning one's call to relationship with a loving Creator, as the Israelites did at the foot of Mount Sinai when they crafted and worshipped a golden calf. The golden calf is a symbol of *misplaced devotion*, born of a false idea of true success.[4] There are many surrogates for the golden calf in modern life. They emerge when: "the sole criterion for action in business is thought to be the maximization of profit";[5] when technology is pursued for its own sake; when seeking personal wealth, or political influence fails to serve the common good; or when utilitarian or consequential reasoning becomes dominant. Each of these "golden calves" amounts to a kind of fixation, usually accompanied by rationalization. Each has the capacity to "en-trance" us as Pope Benedict XVI says in his social encyclical *Caritas in Veritate*,[6] and business leaders must pay careful attention to avoid the lure of idolatry.

12. The many pressures business leaders face may lead them to forget the Gospel call in their daily professional activities. It may seduce them to believe, falsely, that their professional lives are incompatible with their spiritual lives. It places excessive confidence in material resources and/or worldly success. When this happens, business leaders risk valuing status and fame over lasting accomplishment, and consequently risk losing their good judgment. Business leaders may be tempted, whether from self-centredness, pride, greed or anxiety, to reduce the purpose of business solely to maximising profit, or to growing market share or to any other solely economic good. In this way, the good that a market economy may do, for individuals and for society, can be diminished or distorted.

13.   Well-integrated business leaders can respond to the rigorous demands placed upon them with a servant attitude, recalling Jesus who washed the feet of His disciples. Leadership in this servant spirit is different from the authoritarian exercise of power too often present in business organisations. It distinguishes Christian executives and the work environment which they seek to foster. In living business responsibilities in such a manner, in developing true servant leadership, they give freely of their expertise and abilities. In figuratively washing the feet of their collaborators, business leaders realise more fully their noble calling.

14.   An important part of the business leader's vocation is practising ethical social principles while conducting the normal rhythms of the business world. This entails seeing clearly the situation, judging with principles that foster the integral development of people, and acting in a way which implements these principles in light of one's unique circumstances and in a manner consistent with the teaching of the Faith.[7] The rest of this document is organised accordingly: see, judge, act.

SEEING THE WORLD OF BUSINESS: CHALLENGES AND OPPORTUNITIES

15.   The business leader faces a world which is characterised by a complicated mix of factors. To try to understand them, we need to follow the guidance given in the document *Gaudium et Spes* of Vatican II; that is, we need to scrutinize "the signs of the times and of interpreting them in the light of the Gospel".[8] Some of these factors limit what leaders can do to realise the good by constricting their behaviour and closing down avenues of creativity. Other factors create new opportunities for managers and entrepreneurs to serve the common good and the possibility for new circles of solidarity to infuse our social, political, and economic life. The world around us, therefore, presents a complex interplay of light and dark, of good and evil, of truth and falsehood, of opportunities and threats.

16.   Christian business leaders must be able to "*see*" this world in a way which allows them to make judgements about it, to build up its goodness and truth, to promote the common good, and to confront evil and falsehood. The "*judge*" section of this paper offers help in this kind of assessment. Here the aim is to present a short summary of some key factors affecting business activity today, indicating where possible their good, bad, and context-dependent aspects from the perspective of the business leader.

17.   Among the many complex factors which influence business locally and globally, there are four which stand out as worthy of special mention, having fundamentally changed the context of business over the last quarter-century. The first three are closely related to each other: (1) globalisation, (2) new communication technologies, and (3) the financialisation of the economy. The fourth factor, (4) cultural changes—and, in particular, the challenge of individualism and accompanying moral systems of relativism and utilitarianism—may arguably present the greatest dangers to Christian business leaders. There are of course many other factors which have a bearing on business today (state regulation, the role of international authorities, unions, environmental issues, work/family tensions, and more), all of which deserve analysis, but in an effort to be succinct we will only examine these four.

COMMON GOOD

18.	*Globalisation:* The emergence of a global economic order has come to represent the most characteristic feature of our age. The term "globalisation" identifies a worldwide process of intensification of the movement of both outputs and inputs, especially labour and capital, bringing with it a increasing web of social interconnectedness. With the end of the Cold War and the opening up of many emerging markets, the marketplace for businesses around the world has expanded enormously. This has created new opportunities and new threats. Whole peoples who were previously excluded from the world economic system can now participate in and benefit from it. Greater efficiencies have made more products and services affordable for more people. At the same time, greater world output has been accompanied by greater inequality in the distribution of income and wealth, both within countries and between them. Regional economic zones, with free movement of goods and even single currencies, encourage trade and stimulate innovation. They are not, however, always accompanied by equally free possibilities for the movement of working people in the search for employment. Especially where there is a single currency, the resulting limitations that national or local governments encounter when trying to promote an effective economic policy, especially during a localised crisis, may put whole political systems under strain. At the same time, markets have gone from relatively culturally homogeneous to highly diverse. This is positive in that it brings different cultures into more communication with one another, but in the presence of aggressive competition, and the effects of a loss of diversity through the global marketing of standardised products, the danger of cultural imperialism should be carefully examined. Benedict XVI has summarised these divergent forces by observing that, "as society becomes ever more globalised, it makes us neighbours but does not make us brothers".[9]

19.	Behind all these changes is the fundamental reality that *capital has acquired new freedom*: no longer does it have to account to the people in the countries where its profits are made.[10] It is as if economic power had acquired an extraterritorial status. Companies are able to react to profit opportunities quite independently of their national authorities and in so doing they play a key role not only in the organisation of the economy—but of society. Thus globalisation is modifying the foundations of the economy and the polity, reducing the degrees of freedom of nation-states: the familiar nation-state's political-economic instruments are tied to a well-defined territory, whereas multinational companies can produce goods in one country, pay taxes in another, and claim assistance and state contributions in yet a third. Business has become much more influential in this changed context and consequently carries the potential for great good or bad.

20.	*Communication technology:*[11] The revolution in communications technology brought by the Internet has had significant impacts, both positive and negative, upon business management. On the positive side, Internet-based collaboration is developing new products and solutions to age-old problems. Such products and solutions have reduced the costs for people to connect globally. New business models combine collaboration and competition in unique ways to meet needs which were previously inadequately served or completely unsatisfied. Consumer/stakeholder groups are empowered to apply pressure on global businesses and raise the profile of poor practices in issues ranging from respect for human rights to environmental protection in poorer parts of the world. This activism reduces the cost penalty born by those companies that have always aimed to behave responsibly in these parts of the world.

21.   On the negative side, we now live in a world of instant gratification and an overabundance of information. In such a world, as is commonly noted, the urgent can drive out the important. Every message becomes a priority when instant communication insists on our attention. We seem to have no time for well-studied and thoughtful decisions on complex matters. Decisions—even important ones—are increasingly made without adequate consideration and with too little shared information. Faced with more difficulty in preparing for and explaining decisions, leaders rely on their experience. Thus, their personal values and beliefs become even more critical in framing their decision-making.

22.   *Financialisation of the economy:* The combination of globalisation with its expansion of markets and earnings and new communications technologies has brought to great prominence the financial sector in business. The term "financialisation" describes the shift in the capitalist economy from production to finance. The revenue and profits of the financial sector have become an increasingly large segment of the world-wide economy. Its institutions, instruments and motives are having a significant impact on the operations and understanding of business. While the recent financial crisis has brought about a wave of criticisms of the negative effects of financialisation, the financial sector has also: given millions of people easier access to credit in consumption and production; sought to spread risk through derivative instruments; created ways to leverage capital to make it more productive; and more. The financial sector has also produced social or ethical funds allowing investors to support or avoid certain industries or certain companies, with the aim of strengthening sustainable business systems. This sector represents an important and fast-growing development that is set to grow further after some promising results during the financial crisis. *Caritas in Veritate* points out that this type of investment should be the norm: "Efforts are needed—and it is essential to say this—not only to create 'ethical' sectors or segments of the economy or the world of finance, but to ensure that the whole economy—the whole of finance—is ethical, not merely by virtue of an external label, but by its respect for requirements intrinsic to its very nature".[12]

23.   Despite these positive developments, financialisation has contributed to a whole assortment of negative trends and consequences. We will address only two—commoditisation and short-termism. Financialisation has tended to completely *commoditise* businesses, reducing the meaning of this human enterprise to only a price. In particular, the financial sector has contributed to this commoditising trend by equating the purpose of business to shareholder wealth maximization. Shareholder value has become virtually the sole metric by which business leaders determine their performance and their worth. In the current climate, the call to "maximise shareholder wealth" remains dominant and is the leading theory taught in many business schools. Along with this commoditisation have come *short-term* mentalities under which leaders are tempted to become fixated on the upside potential of short-term success, and undervalue the downside risk of excessive risk-taking and strategic failure. It is perhaps not surprising that the opportunity to acquire enormous wealth in relatively short timeframes provides a strong incentive for dysfunctional behaviour. Pope Benedict XVI has noted these dangers when he wrote: "Without doubt, one of the greatest risks for businesses is that they are almost exclusively answerable to their investors, thereby limiting their social value…. [I]t is becoming increasingly rare for business enterprises to be in the hands of a stable director who feels responsible in the long term, not just the short term, for the life and results of the company".[13]

24. *Cultural changes:* As already discussed, the impact of new levels of contact between nations through globalisation, and of individuals through technology, has resulted in significant cultural change. For the Christian business leader, two related key cultural changes have been the turn to individualism in the West and higher levels of family breakdown than in the past. Linked to a resurgence in a strongly utilitarian view of economics and even of society, whole populations are encouraged to focus on achieving "what works for me", independently of the effects on others, with results which negatively impact family life. "Values" are seen as relative, measured by their contribution to individual preferences and business gains. Work becomes simply a means to afford the pleasures of life that each person chooses. Rights become much more important than duties; sacrifice for a larger good is no longer considered. These attitudes fuel the drive of top management to take a share of the wealth created, for employees to foster an attitude of entitlement, and for customers to foster a culture of instant gratification.

25. Fortunately, new movements and programs have been developed in an effort to take more seriously the moral and spiritual life in relation to business. Faith and work groups, spirituality of work programs, business ethics training, social responsibility projects, are all helping business leaders to manage their companies in the spirit of St. Paul's exhortation: "But test everything; hold fast what is good" (1 Thes 5:21).[14] Many of these groups and movements are enabling business leaders to recognise their work as a vocation and the role their businesses play in contributing to the common good.

26. There is no doubt that globalisation, enhanced communication, and financialisation can have positive consequences for the human community. A healthy respect for short-term financial performance can also be positive, if it contributes to, rather than solely drives, decision-making. All these trends, however, need to be guided by ethical social principles, illumined for Christians by the Gospel, and embedded in sound cultural institutions. Without such a constant influence, societal trends risk being detrimental to "integral human development".[15] This is where the social teachings of the Church and our belief in God's love can offer an authentic perspective, enabling business leaders to fulfil their Christian calling.

MAKING JUDGMENTS:

THE IMPORTANCE OF ETHICAL SOCIAL PRINCIPLES

27. Dealing with the complex context of business described in our last section requires good judgment on the part of its leaders, judgments which are wise and rooted in reality and in truth. The ability to make reasoned judgments, however, must be nurtured in the moral and spiritual culture from which business leaders come, namely their families, religion, educational institutions, and the larger communities to which they belong. For the Christian business leader, at the heart of that culture is the Gospel of Jesus Christ.

28. This Gospel is a message of love which is found not primarily in a theory or an ethic, but in a relationship with Christ.[16] It is this relationship, this vocation to love, which, if we allow it to, animates and strengthens the life of every Christian. It has ethical and religious implications for all Christians and for business leaders in particular. These implications are identified in what the Church calls its social tradition, a living dialogue between faith, reason, and action. This tradition has grown through a complementary relationship between authoritative teachers (Catholic social teachings), insightful scholars (Catholic social thought), and effective and principled practitioners (Catholic social practice). Like all traditions, it is constantly developed, purified, and readjusted as Christians, including business leaders, seek discernment and excellence in their professional lives.

29. An important part of this tradition for business has been an articulation of ethical social principles at both foundational and practical levels, and a vision of a business as a community of persons. Together these provide guidance for true business excellence, since they are founded on who the human person is, and what human flourishing can be in business, the wider community, and the world.

I. FOUNDATIONAL ETHICAL PRINCIPLES FOR BUSINESS: HUMAN DIGNITY AND THE COMMON GOOD

30. *Human dignity:* At the very foundation of the Church's social tradition stands the conviction that each person, regardless of age, condition, or ability, is an image of God and so endowed with an irreducible dignity, or value. Each person is an end in him or herself, never merely an instrument valued only for its utility—a *who*, not a what; a *someone*, not a something.[17] This dignity is possessed simply by virtue of being human. It is never an achievement, nor a gift from any human authority; nor can it be lost, forfeited, or justly taken away. All human beings regardless of individual properties and circumstances therefore enjoy this God-given dignity.

31. Thanks to this human dignity, each person has the right—indeed the obligation—to pursue his or her vocation and to strive for personal fulfilment in communion with others. In turn, this also entails that each of us has a duty to avoid actions which impede the flourishing of others and, as far as possible, a duty to promote that flourishing, for "we are all really responsible for all".[18]

32. More specifically, human beings demonstrate that they bear the image of the Creator in their capacities to reason and to choose freely as well as in their inclination to share their lives with others (their social nature). Human flourishing, therefore, always involves reasoning well, choosing freely in accord with reason and living in society. Indeed, it is only in community, that is, in communion with others, that a person can genuinely develop in ability, virtue, and holiness.

33. To be sure, because each person has a transcendent destiny to share forever in the life of God, earthly flourishing will never be complete, but this does not mean that it is unimportant. On the contrary, not only is earthly flourishing an important element of a good human life, but also the lack of material resources, as well as their overabundance, are often obstacles to, or distractions from, the pursuit of virtue and holiness.

HUMAN DIGNITY

34. *Common good:* The social nature of human beings, reflecting the community of the Trinity, points to another foundational principle, the importance of the common good. The Second Vatican Council defined the common good in the following way: "the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfilment more fully and more easily".[19] Common goods are developed between human beings whenever they act purposefully together towards a goal which they share. So building a friendship, a family, or a business creates a common good shared between friends, family members, and all the various people involved in a business. Common goods are possible because we are relational beings who do not only have individual goals, and who do not only grow individually. We also participate in truly *shared* and *common* projects that generate shared goods from which all participants benefit. *The* common good embraces and supports all the goods needed to allow each human being and all human beings to develop, individually and communally.

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35. Businesses produce many of the important conditions which contribute to the common good of the larger society. Their products and services, the jobs they provide, and the economic and social surplus they make available to society, are foundational to the good life of a nation and of humanity as a whole. Countries which do not have enough business activity tend to lose their best trained people to other countries because they cannot see a future for themselves or their families in their present situations. Some societies do not produce enough collective and public goods to ensure human life in dignity. Businesses are therefore essential to the common good of every society and to the whole global order. They contribute best when their activities are allowed to be oriented toward, and be fully respectful of, the dignity of people as ends in themselves who are intelligent, free, and social.

36. Truly prosperous businesses and markets depend upon any number of contributions from the larger society. From public goods such as the rule of law, property rights, free and open competition, to the provision of public goods, sound currencies and fiscal policies, to critical transportation and communication infrastructures, businesses simply cannot operate effectively outside the structures of a good society. Where these public goods and elements of the common good are absent or do not function properly, businesses suffer. And it is not only upon sound government that business depends. Even before the State, one needs a healthy moral-cultural environment in which to educate the young, to develop them in skill and virtue, and to prepare them for employment. Benefiting from the resources society makes available, business and commercial activities, in turn, conduct themselves so as to respect and sustain the common good.

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37. Businesses also support the well-being of members of society through their other key functions. At the very least, a good business carefully avoids any actions which undermine, locally or globally, the common good. More positively, these businesses actively seek ways to serve genuine human needs within their competence and thus *advance* the common good. In some cases they actively promote more effective regulation on a national, international, or branch level. For example, some destructive business strategies, including corruption, exploitation of employees or destruction of the natural environment, might thereby lower short-term costs for themselves, while leaving the much higher long-term costs to future generations of the local society. If such strategies are legal, they create competitive advantages for less morally conscious enterprises at the expense of more conscientious competitors, who act morally and thus incur the real, higher costs of such undertakings. Such a "race to the bottom" usually cannot be overcome by individual moral engagement alone; rather it calls for a *better institutional framework* for all participants in the market.

II. PRACTICAL ETHICAL PRINCIPLES FOR BUSINESS

38.   Respect for human dignity and the common good are foundational principles which should inform the way we organise the labour and capital employed, and the processes of innovation, in a market system. The deep and abiding purpose of individual businesses and commercial systems is to address real human needs, which is to say the relevant needs of everyone who is served in some way by a business. In particular, there are three interdependent activities which businesses should take up:

• Address genuine human needs through the creation, development, and production of goods and services;

• Organise good and productive work;

• Use resources to create and to share wealth and prosperity in sustainable ways.

39.   The Church's social tradition addresses these three interdependent activities by providing practical principles to help guide decision-makers in the good they may do. These practical principles build on the foundational principles, and aim to respect the multi-cultural, multi-faith situations which are characteristic of business today. They also help clarify the vocation of the Christian businessperson and the role of a true business leader.

MEETING THE NEEDS OF THE WORLD THROUGH GOODS AND SERVICES

40.   Successful businesses identify and seek to address genuine human needs at a level of excellence using a great deal of innovation, creativity, and initiative. They produce what has been produced before but often—as in the arenas of medicine, communication, credit, food production, energy, and welfare provision—they invent *entirely new ways of meeting human needs*. And they incrementally improve their products and services, which, where they are genuinely good, improve the quality of people's lives.

I*n contribution to the common good:*[20] As the *Compendium of the Social Doctrine of the Church* puts it: "Businesses should be characterised by their capacity to serve the common good of society through the production of useful goods and services".[21] Business is inherently other-centred: a business joins together people's gifts, talents, energies, and skills to serve the needs of others which, in turn, supports the development of the people who do the work. The tasks they perform in common bring forth the goods and services needed by a healthy community. "The business leader is not a speculator, but essentially an innovator. The speculator makes it his goal to maximise profit; for him, business is merely a means to an end, and that end is profit. For the speculator, building roads and establishing hospitals or schools is not the goal, but merely a means to the goal of maximum profit. It should be immediately clear that the speculator is not the model of business leader which the Church holds up as an agent and builder of the common good".[22] Rather, the Christian business leader serves the common good by creating goods which are truly good and services which truly serve.

WORLD NEEDS

41.   The goods and services which businesses produce should meet authentic human needs, which include not only those things which have clear social value—such as lifesaving medical devices, microfinance, education, social investment, fair trade products, health care or affordable housing—but also anything which genuinely contributes to human development and fulfilment, ranging from simple products, such as bolts, tables and fabrics, to complex systems such as waste removal, roads and transportation.

42.   In 1931, Pope Pius XI wrote in his encyclical letter, *Quadragesimo Anno*, of the importance of businesses "producing really useful goods" for others.[23] The good entrepreneur "gives first thought to service and second thought to gain, who [. . .] employs workingmen for the creation of goods of true worth; who does not wrong them by demanding that they take part in the creation of futilities, or even harmful and evil things; who offers to the consumer nothing but useful goods and services rather than, taking advantage of the latter's inexperience or weakness, betrays him into spending his money for things he does not need, or that are not only useless but even injurious to him".[24] Needs ought to be contrasted with mere wants, which might be characterised as satisfying desires which do not contribute to human well-being. In extreme cases, meeting such desires may even be detrimental to human well-being as, for example, in the sale of non-therapeutic drugs, pornography, gambling, violent video games, and other harmful products. This preoccupation with wants, often called "consumerism," severs production and consumption from the common good and impedes the development of the person.[25] Goods which are truly good serve the needs of consumers in a hierarchical order; the need for nutritious goods, for example, clearly outweighs the wants of gambling entertainment. This is an objective order, which is why the production of goods and services must abide by truth instead of mere utility.

43.   *In solidarity with the poor:* The production of goods and services has "a progressively expanding chain of solidarity", which raises several critical issues and opportunities for the business community.[26] One is the importance of identifying, in a spirit of solidarity, the real needs of the poor and the vulnerable, including people with special needs, which are often overlooked by other businesses in a marketplace driven by short-term profit.[27] The Christian business leader is alert for opportunities to serve these otherwise underserved populations and sees this not only as a proper social responsibility but also as a great business opportunity. Developments in the field of the "bottom of the pyramid" products and services—such as microenterprises, microcredit, social enterprises, and social investment funds—have played an important role in addressing the needs of the poor. These innovations will not only help lift people from extreme poverty but could spark their own creativity and entrepreneurship and contribute to launching a dynamic of development.[28]

ORGANISING GOOD AND PRODUCTIVE WORK

44. Businesses create goods and services and organise the work people do together. Successful businesses design work which is good and effective, efficient and engaging, autonomous and collaborative. The way human work is designed and managed has a significant impact on whether an organisation can compete in the marketplace and whether people will flourish through their work. Blessed John Paul II explained that "whereas at one time the decisive factor of production was *the land*, and later capital—understood as a total complex of the instruments of production—today the decisive factor is increasingly *man himself*, that is, his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organisation, as well as his ability to perceive the needs of others and to satisfy them".[29] Within increasing globalisation and a rapidly changing marketplace, the vibrant organisation of work assures an organisation's agility, responsiveness, and dynamism. This includes sensible regulation, which ensures that economic relations and mentalities can develop in a sustainable way, and that virtuous business can effectively profit and excel through its achievements.

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45. *Foster dignified work:* "It is a scandal," Pope Pius XI wrote in 1931, "when dead matter comes forth from the factory ennobled, while men there are corrupted and degraded".[30] The grandeur of one's work not only leads to improved products and services, but develops the worker himself. The Catholic social tradition has been particularly outspoken about the nature of work and how it affects the person. Blessed John Paul II spoke of "the subjective dimension of work", distinguishing it from its "objective dimension". He set forth a beautiful vision, indicating that when people work, they do not simply make more, but they become more. The changes brought about by work cannot be fully accounted for by its objective dimension. The worker, the subject of work, is also greatly affected by his or her own work. Whether we think about the executive, the farmer, the nurse, the janitor, the engineer, or the tradesman, work changes both the world (objective dimension) and the worker (subjective dimension). Because work changes the person, it can enhance or suppress that person's dignity; it can allow a person to develop or to be damaged. Thus "the sources of the dignity of work are to be sought primarily in the subjective dimension, not in the objective one".[31] When we regard work from that perspective, we should find a joint commitment from both the employer and the employee to elevate work to that splendid vision. It is the unity of sound business practice and ethics.

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46. Recognising the subjective dimension of work acknowledges its dignity and importance. It helps us to see that "work is 'for man' and not man 'for work'".[32] Employees are not mere "human resources" or "human capital". Consequently, work must be designed for the capacities and qualities of human beings, and so we must not simply require that people adapt to their work as if they were machines. Good work gives scope for the intelligence and freedom of workers, its context promotes social relationships and real collaboration, and it does not damage the health and physical well-being of the worker. This requires from leaders the ability to develop the right person in the right job and the freedom and responsibility to do just that. Good work is directed toward satisfying genuine human needs so that the worker, while providing for himself and his family, also serves the flourishing of others. Good work must be sufficiently well-organised and managed to be productive so that the worker can indeed earn his living. Moreover, reward structures should make sure that those workers who do engage their labour in a sincere way also receive the necessary esteem and compensation from their companies. The encyclical *Mater et Magistra* is perfectly clear on this point: "if the whole structure and organisation of an economic system is such as to compromise human dignity, to lessen a man's sense of responsibility or rob him of opportunity for exercising personal initiative, then such a system, We maintain, is altogether unjust—no matter how much wealth it produces, or how justly and equitably such wealth is distributed".[33]

SUBSIDIARITY

47. *Create subsidiary structures:* The principle of subsidiarity is rooted in the conviction that, as images of God, the flourishing of human beings entails the best use of their intelligence and freedom. Human dignity is never respected by unnecessarily constraining or suppressing that intelligence and freedom. The principle of subsidiarity recognises that in human societies, smaller communities exist within larger ones. For example, a family, as a community, is part of a village or a city, which in turn is part of a county, a state or province, then a nation, and so on. The principle insists that the freedom and input of those closest to the effects to be felt should not be arbitrarily disregarded. As Blessed John Paul II pointed out "a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good".[34]

48. The principle of subsidiarity applies to the structures of the State as well as business organisations. We develop in our work best when we use our intelligence and freedom to achieve shared goals and to create and sustain right relationships with one another and with those served by the organisation. In other words, the more participatory the workplace, the more likely each worker will be to develop. Employees should have a voice in their work, especially in the day-to-day work. This fosters initiative, innovation, creativity, and a sense of shared responsibility.

49. The principle of subsidiarity holds great insight for business leaders. It encourages leaders to use their power at the service of their collaborators, prompting them to question whether their authority serves the development of all their employees. Specifically, subsidiarity provides business leaders with three practical steps:

- Clearly define the realm of autonomy and decision rights to be made at every level in the company, leaving these as wide as possible. Limits should be set such that decision rights do not exceed a person or group's ability to access the information required to make the decision, and so the consequences of the decisions would not overstep their realm of responsibility.
- Teach and equip employees, making sure that they have the right tools, training, and experience to carry out their tasks.
- Accept that the persons to whom tasks and responsibilities have been given will make their decisions in freedom and, thereby in full trust, the risks of their decisions. Subsidiary business structures therefore should nurture mutual respect and responsibility and allow employees to attribute good results to their sincere engagement.

This last point, taking on the risk of the decisions, is what makes subsidiarity different from delegation. One who delegates confers power, but can take it back at any time. In such a situation, employees are not called to the same level of excellence and participation as in a situation governed by the principle of subsidiarity, and are less likely to grow and accept their full responsibility.

50. Under the principle of subsidiarity, employees on a lower level who are trusted, trained, experienced, know precisely the extent of their responsibilities, and are free to make decisions, can fully use their freedom and intelligence, and thus are enabled to develop as people; they are indeed "co-entrepreneurs". For business leaders on every level, from team leader up to chief executive, this is very demanding but rewarding. Working under the principle of subsidiarity calls for restraint, and a humble acceptance of the role of a servant leader.

SIX PRACTICAL PRINCIPLES FOR BUSINESS

The principles of respect for **human dignity** and pursuit of the **common good** are the foundations of the Church's social teaching. Joined with the six practical principles of business, they can offer more specific guidance on the three broad business objectives.

Meeting the Needs of the World through the Creation and Development of Goods and Services

1. Businesses that produce goods which are truly good and services which truly serve *contribute to the common good.*

2. Businesses maintain *solidarity* with the poor by being alert for opportunities to serve otherwise deprived and underserved populations and people in need.

Organising Good and Productive Work

3. Businesses make a contribution to the community by fostering the special *dignity of human work*.

4. Businesses provide, through *subsidiarity*, opportunities for employees to exercise appropriate authority as they contribute to the mission of the organisation.

Creating Sustainable Wealth and Distributing it Justly

5. Businesses model *stewardship* of the resources—whether capital, human, or environmental—they have received.

6. Businesses are *just* in the allocation of resources to all stakeholders: employees, customers, investors, suppliers, and the community.

CREATING SUSTAINABLE WEALTH AND DISTRIBUTING IT JUSTLY

51. Entrepreneurs exercise their creativity to organise the talents and energies of labour and to assemble capital and other resources from the earth's abundance to produce goods and services. When this is done effectively, well paying jobs are created, profit is realised, the resulting wealth is shared with investors, and everyone involved excels. The Church acknowledges the legitimate role of profit as an indicator that a business is functioning well. When a firm makes a profit, it generally means that the factors of production have been properly employed and corresponding human needs have been duly satisfied.[35] A profitable business, by creating wealth and promoting prosperity, helps individuals excel and realise the common good of a society. Yet creating wealth is not restricted to financial profit alone. The very etymology of the word "wealth" reveals the broader notion of "well-being": the physical, mental, psychological, moral, and spiritual well-being of others. The economic value of wealth is inextricably linked to this wider notion of well-being.

52. *Stewarding resources:* Scripture teaches that good stewards are creative and productive with the resources placed in their care.[36] They do not merely take from creation's abundance; instead they use their talents and skills to produce more from what has been given to them. One manifestation of this within the business context is financial profit—the surplus of retained earnings over expenses which enables an organisation's sustainability. The best business leaders use resources effectively and maintain reasonable levels of revenue, margin, market share, productivity, and efficiency, in order to ensure the viability of the organisation. If financial wealth is not created, it cannot be distributed and organisations cannot be sustained.

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53. While profitability is an indicator of organisational health, it is neither the only one, nor the most important by which business should be judged.[37] Profit is necessary to sustain a business; however, "once profit becomes the exclusive focus, if it is produced by improper means and without the common good as its end, it risks destroying prosperity and creating poverty".[38] Profit is like food. An organism must eat, but that is not the overriding purpose of its existence. Profit is a good servant, but it makes a poor master.

54. While financial resources are important, so too is stewardship of the environment, both physical and cultural. As Pope Benedict XVI wrote, "The environment is God's gift to everyone, and in our use of it we have a responsibility towards the poor, towards future generations and towards humanity as a whole".[39] Creation is endowed with an order which we discover but do not create. Living creatures and the natural world may reasonably be employed to serve genuine human needs. As collaborators with God in the unfolding of creation, however, we have a duty to respect and not to attack the world around us. We are free to cultivate this world, but not to devastate it. Or as the early chapters of Genesis suggest, we are called to exercise a careful dominion over the world, to cultivate it and make it fruitful, but we do not have license to exploit it as we please.

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55. *Distribute justly:* As creators of wealth and prosperity, businesses and their leaders must find ways to make a just distribution of this wealth to employees (following the principle of the right to a just wage), customers (just prices), owners (just returns), suppliers (just prices), and the community (just tax rates).[40]

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56. If one accepts that God's creation is intended for everyone—rich and poor, powerful and weak, now and in the future—then it follows that all resources are conferred on humankind with a "social mortgage".[41] The Catholic social tradition understands this obligation as applying to property as well as capital. While property and capital should as a rule be privately held, the right to private property should be "subordinated to the right to common use, to the fact that goods are meant for everyone".[42] This principle urges business leaders to consider the distributive effect of the way they set prices, allocate wages, share ownership, distribute dividends, manage payables, and so on. Their decisions should aim not at an *equal* but at a *just* distribution of wealth, which meets people's needs, rewards their contributions and risks, and preserves and promotes the organisation's financial health. Denying people legitimate access to the fruits of the earth, especially the means to sustain life, amounts to a negation of God's command to humanity to discover, cultivate, and use its gifts.

III.   BUSINESS AS A COMMUNITY OF PERSONS

57. These six principles point us to the purpose of business, which Blessed John Paul II states "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".[43] While the phrase "community of persons" is not common in business literature today, it actually best expresses the full realisation of what a company and corporation can be. The etymology of the words "company" and "companions"—*cum* (with), and *panis* (bread) suggests "breaking bread together". The etymology of the word "corporation"—the Latin *corpus* (body) suggests a group of people "united in one body".

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58. When we consider a business organisation as a community of persons, it becomes clear that the bonds which hold us in common are not merely legal contracts or mutual self-interests, but commitments to real goods, shared with others to serve the world. It is dangerous and misinformed simply to consider business as a "society of shares", where self-interests, contracts, utility, and financial profit maximisation exhaust its meaning. An inherent characteristic of work is that "it first and foremost unites people. Therein lies its social power: the power to build a community".[45] This understanding helps avoid the spiritual poverty which often arises in market economies from a lack of human relationships within and around a business.[46]

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59. Building a company as a community of persons based on the six principles above is no easy task. Large multinational corporations in particular can find it challenging to create practices and policies to foster a community of persons among its members. Yet leaders in large or small firms are greatly helped by the practice of personal virtue, those life-enhancing habits and qualities of character essential to any profession. Two very important virtues for the business professional, which we discuss in further detail in the next section, are practical wisdom and justice. There is, in practice, no substitute for sound judgment (practical wisdom) and right relationships (justice). The six principles above do not provide all that is needed for

good judgment in response to the challenges of daily work. They do not provide blueprints or technical solutions, nor are they meant to do so. Ethical social principles, illumined for Christians by the Gospel, provide direction for good businesses, but the navigation falls to the seasoned and intelligent judgments of virtuous business leaders who can wisely manage the complexity and tensions arising in particular cases.

"WITNESS OF ACTIONS": TAKING ASPIRATION INTO PRACTICE

60. "Today more than ever," Blessed John Paul II wrote, "the Church is aware that her social message will gain credibility more immediately from the witness of actions than as a result of its internal logic and consistency".[47] These *witnesses of action*, the great majority of whom are among the lay faithful, are not "solely passive beneficiaries but are the protagonists of the Church's social doctrine at the vital moment of its implementation. They are also valuable collaborators of the pastors in its formulation, thanks to the experience they have acquired in the field and to their own specific skills".[48]

61. Christian business leaders are men and women of action who have demonstrated an authentic entrepreneurial spirit, one which recognises the God-given responsibility to accept generously and faithfully the vocation of business. These leaders are motivated by much more than financial success, enlightened self-interest, or an abstract social contract as often prescribed by economic literature and management textbooks. Faith enables Christian business leaders to see a much larger world, a world in which God is at work, and where their individual interests and desires are not the sole driving force.

62. Business leaders are supported and guided by the Church as well as by Christian business organisations to live out the Gospel in the world.[49] Without these practitioners and the organisations which support them, the Catholic social tradition would become merely inanimate words rather than a lived reality. As St. James tells us, faith without works is dead (Jas 2:17).

63. Unfortunately, there are people of faith within the world of business who have failed to witness to and be inspired by their faith and moral convictions. We have witnessed many scandals involving leaders who have misused their positions of authority and leadership. They have succumbed to sins of pride, greed, lust, and other deadly vices. It is not only these major cases which are so painful to witness; what is also tragic is that there are Christians who, while not committing illegal or scandalous activities, have accommodated themselves to the world, living as if God does not exist. They not only live *in* the world, but they have become of the world. When Christian business leaders fail to live the Gospel in their organisations, their lives "conceal rather than reveal the authentic face of God and religion".[50]
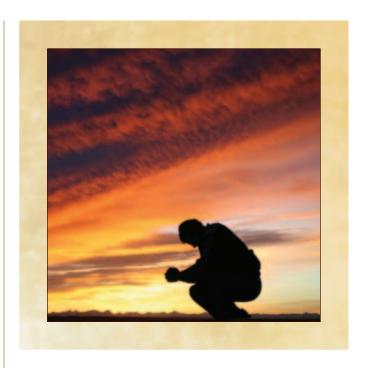
64. Faith has social implications; it is not merely a private reality. The Church's social doctrine is "an essential part of the Christian message, since this doctrine points out the direct consequences of that message in the life of society and situates daily work and struggles for justice in the context of bearing witness to Christ the saviour".[51] The social principles of the Church call upon business leaders to act, and because of the current challenging environment, how they act is more important than ever.

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65. Pope Benedict XVI's *Caritas in Veritate* provides a vision for action. He explains that charity—"love received and given"—is at the heart of the social teachings of the Church.[52] Charity "is the principal driving force behind the authentic development of every person and of all humanity".[53] So when we speak of business leaders acting, this implies both "receiving" and "giving".

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66. *Receiving:* The first act of the Christian business leader, as of all Christians, is to receive; more specifically, to receive *what God has done for him or her*. This act of receptivity, particularly for business leaders can be particularly difficult. As a group, business leaders tend to be more active than receptive, especially now in a globalised economy, under the effects of sophisticated communications technologies and the financialisation of business. Yet without receptivity in their lives, business leaders can be tempted by a quasi-Nietzschean "superman" complex. The temptation for some is to regard themselves as *determining* and *creating* their own principles, not as *receiving* them.[54] Business leaders may only see themselves as creative, innovative, active, and constructive, but if they neglect the dimension of receiving, they distort their place within the world and overestimate their own achievements and work.

67. Pope Benedict XVI, prior to his papacy, wrote that the person "comes in the profoundest sense to himself not through what he does but through what he accepts",[55] not through what he achieves but through what he receives. Indeed, human accomplishment taken alone leads only to partial fulfilment; one must also know the power and grace of receptivity. This refusal to receive is found in our origins, in the story of the fall of Adam and Eve, when God commanded them not to eat "of the tree of the knowledge of good and evil" (Gen 2:17). The moral law is given by God, and we can only receive it.[56] The social principles of the Church explained above are the Church's reflection on this moral law for business. When business leaders receive their vocation, they are also open to receiving principles which foster the integral development of those affected by the business.

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68. When the gifts of the spiritual life are embraced and integrated into the active life, they provide the grace needed to overcome the divided life and to humanise us, especially in our work. The first act to which the Church calls the Christian business leader is to receive the sacraments, to accept the Scriptures, to honour the Sabbath, to pray, to participate in silence and in other disciplines of the spiritual life. These are not optional actions for a Christian, not mere private acts separated and disconnected from business.

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69. The Sabbath, for example, is not simply a break from work. Perhaps paradoxically, it is only in our detachment from work that we see its deepest meaning. Pope Benedict XVI explains this connection by stating that "the biblical teaching on work finds its coronation in the commandment to rest".[57] To rest in God places our work in a new context—the context of the continuous unfolding of God's abundant gift of creation. Sacramental worship is not an *escape* from the world of business—it gives us the space

to see more deeply into the *reality* of the world and to contemplate God's work. God's revelation, which can only be received and not achieved, discloses that His Spirit pervades materiality, that grace perfects nature, and that worship makes work holy. This is why the Eucharist is the most profound expression of the Sabbath. It is where we see most deeply and most profoundly "the work of human hands" in cooperation with the salvific work of God: in human work, elevated by divine work, the bread and the wine are transformed into the Real Presence, a presence which has the power to redeem the world.[58]

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70.   The divine dimension in our daily lives can be hidden and repressed, especially in a globalised, highly technological, and financially driven economy, and in situations in which the Church fails to preach and live its social message. This is why Blessed John Paul II asks business leaders and employees to develop a spirituality of work, enabling them to see their role in God's creative and redemptive purpose, and giving them the strength and virtue to live out His call.[59] Without a deep well of prayer and reflection, it is hard to see, for example, how business leaders can resist the negative dimensions of information technology, driving speed and efficiency at the expense of thoughtful reflection, patience, justice, and practical wisdom. Information technologies encourage us towards instantaneous decisions; thus they can create their own logic which undermines the application of the social principles of the Church, unless they are used in an ordered way by contemplative practitioners.

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71.   *Giving:* The second act to which the Church calls the business leader is *giving* in a way which *responds* to what has been received. This giving is never merely the legal minimum; it must be an authentic entry into communion with others to make the world a better place. The self-gift of the person inquires not "how far it *must* go, but how far it *may* go".[60] Giving moves business leaders to profound questions about their vocation: How does receptivity to God's love animate the relationships of the various stakeholders of a business? What kind of business policies and practices will foster the integral development of people?
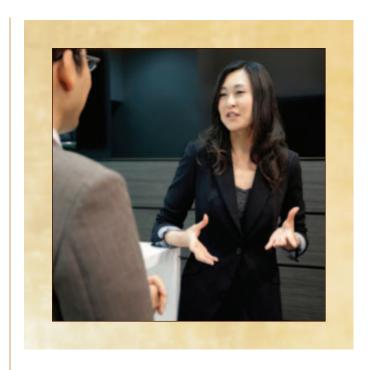

72.   We have observed business leaders who give themselves through the goods and services they create and provide, as they organise good and productive work, and as they create sustainable wealth and distribute it justly. The social principles of the Church help orient the institution of business toward a set of behaviours which foster the integral development of people. This entails addressing the demands of the organisation with practices and policies which promote: personal responsibility, innovation, fair pricing, just compensation, humane job design, responsible environmental practices, social and socially responsible (or ethical) investment, and a host of other issues such as hiring, firing, board governance, employee training, and supplier relations.

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73.   In addition to these internal opportunities, business leaders (alongside governments and non-governmental organisations) influence larger issues, such as international regulations, anti-corruption practices, transparency, taxation policies, and environmental and labour standards. They should use this influence, individually and collectively, to promote human dignity and the common good and not merely the narrow interest of any particular stakeholder.

74. It is not the place of the Church to prescribe in detail the actions of business leaders. Prescription is the work of practitioners, and is largely carried out by lay people. The Church's magisterium does not have technical solutions to offer or models to present; yet, the Church teaches that "there can be no genuine solution of the 'social question' apart from the Gospel".[61] The Pope and the bishops, the official teachers within the Church, preach its social doctrine to business leaders not to impose a burden upon them, but to reveal to them the spiritual importance of their actions and the social significance of business as an institution. As Pope Benedict XVI says in *Caritas in Veritate:* "Man's earthly activity, when inspired and sustained by charity, contributes to the building of the universal city of God, which is the goal of the history of the human family".[62] When the Gospel informs the "new things" which the business leader faces in our increasingly global, technological, and financial economy, it sees them not simply in their technical or market dimensions, but in their impact on the integral development of the person.

75. This is why an important part of the vocation of Christian business leaders is the practice of virtues, especially the virtues of wisdom and justice. Wise business leaders act virtuously in their practical affairs, cultivating wisdom in concrete practices and policies, not just in abstract mission statements. This is what makes it *practical* wisdom: institutionalising effective and just practices which foster right relationships with stakeholders, creating policies which put the social principles of the Church into practice in creative ways which humanise the organisation.

76. When business leaders face particular problems which need specific solutions, their actions are informed by "a *prudential* evaluation of each situation".[63] This prudential judgment is not only a market-based or technical assessment. Prudence has often been reduced to the clever actions of leaders that advance their own private interests. This is not the virtue of prudence, but a vice separated from the requirements of justice. True prudence informs the mind of the business leader by asking the right questions and discerning the best courses of action for building good and just companies which can contribute to the common good.

77. Developing a prudential mind entails recognising the available resources of the organisation and understanding its unique circumstances. Practical wisdom requires that the *ought* of ethical social principles be translated into the realistic and *possible* of a concrete situation (given available means and resources). Practically wise teaching regarding a living wage, for example, always implies a wage which is sustainable for an enterprise. If, however, a living wage is not immediately sustainable for a business, virtuous

businesspeople do not stop there and simply defer to market forces. They rethink how they are doing business and how they can change their situation creatively so as to be in right relationships with their employees. This could mean changes at the level of work organisation or job design; it could mean moving into different product markets, or rethinking pay differentials. If it is really not possible for a company to reach a just wage after having made such efforts, it then becomes the role of indirect employers such as the state, unions, and other actors to supplement the company's efforts.[64]

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78. As important as indirect employers are within the economy, they must never absorb the responsibility of the direct employer. Companies must not delegate their responsibility completely, for example, to the law or to a contract. As a direct employer, the virtues of practical wisdom and justice help the business leader to see the increasing importance of business' social responsibility in a globalised economy. At this time in our history, as Pope Benedict XVI explains, there is "a growing conviction that *business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business:* the workers, the clients, the suppliers of various elements of production, the community of reference".[65] This growing conviction has produced a significant amount of theory and practice in business ethics and corporate social responsibility. In many countries we see that subsidiary processes of "self-regulation" are taking place in the context of business associations and branch federations on a regional, national, or international level. Many regulations for protecting customers, employees or the environment are effectively grounded in the business sector itself, even if they may also occasionally need to be reinforced by government regulation. The practical wisdom of entrepreneurs already plays an important role here, not least to show that the Catholic social tradition has much to learn from these fields of thought and action—and much to offer them.

79. When business ethics and corporate social responsibility are invoked to do what is contradictory to the Church's social doctrine, they have disconnected us from a proper recognition that we are made "in the image of God" (Gen 1:27), and they lead us to fail to appreciate "the inviolable dignity of the human person and the transcendent value of natural moral norms. When business ethics prescinds from these two pillars, it inevitably risks losing its distinctive nature and it falls prey to forms of exploitation".[66] When not grounded in the deep soil of human culture, the otherwise helpful role for business ethics and corporate social responsibility will instead be prone to being instrumentalised, and thus will ultimately fail to promote integral human development within business.

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80. Giving and receiving express the complementarity of the active and contemplative life. These two fundamental dimensions of our lives call not principally for balancing, but for a profound integration born of the realization that we need God and that God has done great things for us. In return God asks us to be His hands and feet, to continue His creation and make it better for others. For the business leader, this entails creating goods which are truly good and services which truly serve; organising work where employees develop their gifts and talents; and creating sustainable wealth so that it can be distributed justly (see the *Appendix* for "An Examination of Conscience for the Business Leader", which reflects on these three objectives in day-to-day life).
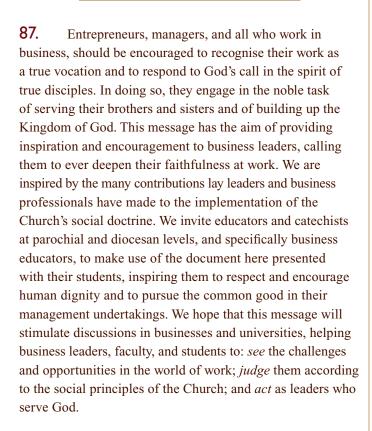
CONCLUSION

81. In concluding this reflection, we may acknowledge that the challenges confronting business and the larger culture are substantial. Business leaders may be tempted by self-doubt about their personal ability to integrate the Gospel within their daily work. Weighed down by the challenges which often confront them, business leaders may wonder whether the Church's social tradition can offer guidance in their professional lives.

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82. Business leaders need to be open to receiving support and correction from fellow members of the living Church, responding to their doubts and hesitations not with fear or cynicism, but with the virtues coming from their vocation:

- *with faith* that sees their actions not just in terms of the impact on the bottom line, but in the larger context of the impact of those actions, in collaboration with others, on themselves and the world, in the light of God's ongoing creation;
- *with hope* that their work and institutions will not be predetermined by market forces or legal constructs, but rather that their actions will give witness to God's kingdom;
- *with love*, so that their work is not merely an exercise in self-interest, but a cultivation of relationships, building communities of people.

FAITH, HOPE LOVE

83. To live out their vocation as faithful stewards to their calling, businesspeople need to be formed in a religious culture which shows them the possibilities and promise of the good they can do and which they ought to do—the good which is distinctively theirs. Family, Church and school are critical institutions in this formation. Like all people, Christian business leaders come into the world, not through a contract or a market exchange but through a gift. No-one is born into a corporation, but into a family, baptised in a church, educated in schools, and welcomed into a community.

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84. One critical part of this formation is university education, where future business leaders are often first introduced to the experiences, skills, principles, and purposes of business. With close to 1,800 institutions of higher learning world-wide, and approximately 800 of these with business programs, the Church has invested herself in the formation of future business leaders. Some of these programs rank among the best in the world. This education seeks the unity of knowledge and a rich dialogue between faith and reason, which provides the resources to meet the modern challenges found in business and the wider culture.[67] Catholic business education has achieved a lot, but has ever new challenges to address.

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85. An education in business, like every professional education, does not merely constitute training in specific skills or theories. Faithful to its own tradition, Catholic higher education cannot fail to be a formation in the moral teaching and social principles of the Church and the dimensions of prudence and justice proper to business. A proper business education includes all appropriate theoretical material, training in every relevant skill and a thorough treatment of the moral teaching and social principles of the Church which must animate professional practice. Exaggerated emphasis in one of these areas cannot compensate for the neglect of another.

86. In our own time, business students are informed by powerful theories and highly trained in technical skills but some unfortunately leave university without the ethical and spiritual formation which would ensure that their insights and skills are used for the welfare of others and the support of the common good. Indeed, some leave with a formation which predisposes them to live the divided life rather than giving them the fundamentals which could help them build an integrated life. Consideration of the ideas presented here can contribute to a more complete formation of these students, educating them to be highly principled and effective business leaders. Teachers need to inspire their students to discover the good which is within them and to follow the call they have to use their professional skills and judgment as a force for good in the world.

87. Entrepreneurs, managers, and all who work in business, should be encouraged to recognise their work as a true vocation and to respond to God's call in the spirit of true disciples. In doing so, they engage in the noble task of serving their brothers and sisters and of building up the Kingdom of God. This message has the aim of providing inspiration and encouragement to business leaders, calling them to ever deepen their faithfulness at work. We are inspired by the many contributions lay leaders and business professionals have made to the implementation of the Church's social doctrine. We invite educators and catechists at parochial and diocesan levels, and specifically business educators, to make use of the document here presented with their students, inspiring them to respect and encourage human dignity and to pursue the common good in their management undertakings. We hope that this message will stimulate discussions in businesses and universities, helping business leaders, faculty, and students to: *see* the challenges and opportunities in the world of work; *judge* them according to the social principles of the Church; and *act* as leaders who serve God.

A DISCERNMENT CHECKLIST FOR THE BUSINESS LEADER

- Do I see work as a gift from God?

- Is my work as a "co-creator" truly a participation in God's original creative act?

- Do I promote a culture of life through my work?

- Have I been living a divided life, separating Gospel principles from my work?

- Am I receiving the sacraments regularly and with attention to how they support and inform my business practices?

- Am I reading the Scriptures and praying with the will to avoid the risk of a divided life?

- Am I sharing my spiritual path with other Christian business practitioners (my peers)?

- Am I seeking to nourish my business life by learning more about the Church's social teaching?

- Do I believe that taking seriously the dignity of the person in my business decision-making will promote integral human development while making my company more efficient, more agile, and more profitable?

MEETING THE NEEDS OF THE WORLD

- Do I see the responsibilities of my company as extending to all the participants who contribute to its life, not simply to the interests of the owners?

- Am I creating wealth, or am I engaging in rent-seeking behaviour?

- Am I engaging in anti-competitive practices?

- Is my company making every reasonable effort to take responsibility for externalities and unintended consequences of its activities (such as environmental damage or other negative effects on suppliers, local communities and even competitors)?

- Do I recognise the importance of strong and lively "indirect employers" to ensure the right levels of labour protection and community dialogue?

- Am I sensitive to the fact that if corporate decisions are not deeply grounded in the dignity of the human person, they will be prone to instrumentalist and utilitarian constructs which fail to promote integral human development within business?

- Do I regularly assess the degree to which my company provides products or services which address genuine human needs and which foster responsible consumption?

ORGANISING GOOD AND PRODUCTIVE WORK

- Do I provide working conditions which allow my employees appropriate autonomy at each level? In other words, am I organising human resources mindful of the subsidiarity principle in my company management system?

  - Am I assuming the risk of lower level decisions to assure that his autonomy is genuine?

  - Are jobs and responsibilities in my company designed to draw upon the full talents and skills of those doing the jobs?

- Have employees been selected and trained to be able to meet fully their responsibilities?

- Have these responsibilities and their scope been clearly defined?

• Am I making sure that the company provides safe working conditions, living wages, training, and the opportunity for employees to organise themselves?

• Have I embedded a set of comprehensively defined values and integrated that into my performance measurement process? Am I honest with my employees about their performance?

• In all countries where my company is engaged, is it honouring the dignity of those indirectly employed and contributing to the development of the communities hosting these operations? (Do I follow the same standard of morality in all geographic locations?)

• Do I place the dignity of all workers above profit margins?

CREATING SUSTAINABLE WEALTH AND DISTRIBUTING IT JUSTLY

• As a business leader, am I seeking ways to deliver fair returns to providers of capital, fair wages to employees, fair prices to customers and suppliers, and fair taxes to local communities?

• Does my company honour all its fiduciary obligations to providers of capital and to local communities with regular and truthful financial reporting?

• In anticipation of economic difficulties, is my company taking care that employees remain employable through appropriate training and variety in their work experiences?

• When economic difficulties demand layoffs, is my company giving adequate notifications, employee transition assistance, and severance pay?

• Does my company make every effort to reduce or eliminate waste in its operations, and in general to honour its responsibility for the natural environment?
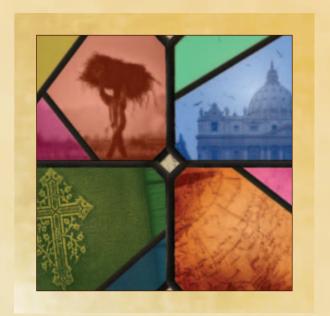
IN SUMMARY

• **As a Christian business leader, am I promoting human dignity and the common good in my sphere of influence?**

• **Am I supporting the culture of life, justice; international regulations; transparency; civic, environmental, and labour-standards; and the fight against corruption?**

• **Am I promoting the integral development of the person in my workplace?**

ENDNOTES

1 Benedict XVI, Encyclical Letter *Caritas in Veritate* (2009), 38, 40.

2 John Paul II, Encyclical Letter *Laborem Exercens* (1981), 25.

3 Second Vatican Ecumenical Council, Pastoral Constitution *Gaudium et Spes* (1965), 43.

4 Deuteronomy 5:6–8: "I am the Lord your God, who brought you out of the land of Egypt, out of the house of slavery; you shall have no other gods before me. You shall not make for yourself an idol, whether in the form sof anything that is in heaven above, or that is on the earth beneath, or that is in the water under the earth."

5 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 71.

6 "Entranced by an exclusive reliance on technology, reason without faith is doomed to flounder in an illusion of its own omnipotence. Faith without reason risks being cut off from everyday life", Benedict XVI, Encyclical Letter *Caritas in Veritate*, 74.

7 See John XXIII, Encyclical Letter *Mater et Magistra* (1961), 236.

8 Second Vatican Ecumenical Council, Pastoral Constitution *Gaudium et Spes*, 4.

9 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 19.

10 Cf. Benedict XVI, Encyclical Letter *Caritas in Veritate*.

11 Benedict XVI, Encyclical Letter *Caritas in Veritate*, Chapter 6.

12 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 45.

13 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 40.

14 See the Economy of Communion from the Focolare movement, UNIAPAC, Legatus, Woodstock Business Conference, Compagnia delle Opere from the Communion and Liberation movement, as well other movements that have taken seriously the relationship of faith and business.

15 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 11.

16 See Benedict XVI, Encyclical Letter *Deus Caritas Est* (2005), 1.

17 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 108.

18 John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (1987), 38.

19 Second Vatican Ecumenical Council, Pastoral Constitution *Gaudium et Spes*, 26.

20 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 164–167.

21 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 338.

22 See Cardinal Bertone, "A Goal Greater than Profit", Executive Summit on Ethics for the Business World, Rome, June 16, 2011 (http://www.vatican.va/roman_curia/secretariat_state/card-bertone/2011/documents/rc_seg-st_20110616_business-ethics_en.html).

23 Pius XI, Encyclical Letter *Quadragesimo Anno* (1931), 51.

24 Oswald von Nell-Breuning, *Reorganization of Social Economy*, (Milwaukee: The Bruce Publishing Co., 1936), 115-116.

25 John Paul II, Encyclical Letter *Centesimus Annus* (1991), 36.

26 John Paul II, Encyclical Letter *Centesimus Annus*, 43.

27 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 192-196.

28 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 45.

29 John Paul II, Encyclical Letter *Centesimus Annus*, 32.

30 Pius XI, Encyclical Letter *Quadragesimo Anno*, 135.

31 John Paul II, Encyclical Letter *Laborem Exercens*, 6.

32 John Paul II, Encyclical Letter *Laborem Exercens*, 6.

33 John XXIII, Encyclical Letter , 83.

34 John Paul II, Encyclical Letter *Centesimus Annus*, 48; see also Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 185–186 and Catechism of the Catholic Church, 1883.

35 John Paul II, Encyclical Letter *Centesimus Annus*, 35.

36 Mt 25:14 30.

37 John Paul II, Encyclical Letter *Centesimus Annus*, 35.

38 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 21.

39 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 48.

40 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 171–181.

41 John Paul II, Encyclical Letter *Sollicitudo Rei Socialis*, 42.

42 John Paul II, Encyclical Letter *Laborem Exercens*, 14.

43 John Paul II, Encyclical Letter *Centesimus Annus*, 35.

44 John Paul II, Encyclical Letter *Centesimus Annus*, 43.

45 John Paul II, Encyclical Letter *Laborem Exercens*, 20.

46 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 53.

47 John Paul II, Encyclical Letter *Centesimus Annus*, 57.

48 Benedict XVI, Address to Participants on the 50th Anniversary of the Encyclical "Mater et Magistra" (May 16, 2011), http://www.vatican.va/holy_father/benedict_xvi/speeches/2011/may/documents/hf_benxvi_spe_20110516_justpeace_en.html.

49 Some of these organisations are UNIAPAC and its affiliates, Legatus, Woodstock Business Conference, as well as new movements such as Focolare's Economy of Communion, Comunione e Liberazione's Compagnia delle Opere initiatives, or investor groups such as the Interfaith Center for Corporate Responsibility, and other organisations and movements.

50 Second Vatican Ecumenical Council, Pastoral Constitution *Gaudium et Spes*, 19.

51 John Paul II, Encyclical Letter *Centesimus Annus*, 5.

52 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 5.

53 Benedict XVI, Encyclical Letter *Caritas in Veritate*, 1.

54 Friedrich Nietzsche, *Beyond Good and Evil* (Oxford: Oxford University Press, 1998), 154.

55 Joseph Ratzinger, *Introduction to Christianity*, trans. J.R. Foster (San Francisco: Ignatius Press, 1990), 266.

56 John Paul II, Encyclical Letter *Veritatis Splendor*, 35.

57 Benedict XVI, "Man Is Subject and Protagonist of Work." Homily on Feast of St. Joseph, Vatican City, March 19, 2006, http://www.vatican.va/holy_father/benedict_xvi/homilies/2006/documents/hf_ben-xvi_hom_20060319_lavoratori_en.html

58 See John Paul II, Apostolic Letter *Dies Domini* (1998).

59 John Paul II, Encyclical Letter *Laborem Exercens*, 24.

[60] Hans Urs von Balthasar, *The Christian State of Life*, (San Francisco: Ignatius Press, 1983), 48.

[61] John Paul II, Apostolic Letter *Centesimus Annus*, 5.

[62] John Paul II, Apostolic Letter *Centesimus Annus*, 7.

[63] Benedict XVI, Encyclical Letter *Caritas in Veritate*, 47.

[64] John Paul II coined the term "indirect employer," which is an important reality for the businessperson (Encyclical Letter *Laborem Exercencs*, 19). When a particular market system is so competitive and so dysfunctional that treating employees justly is penalised, rather than rewarded, employers and managers cannot be expected to create a fully just work situation. The right to a living wage, for example, is the responsibility of all people, not just direct employers. If a particular company is in a highly price-sensitive, commoditised market, pressures to reduce labour costs may become so great that a particular employer would be forced to pay the so-called market wage, which may be below a living or family wage. An employer in such a system may be forced to pay lower wages, provide fewer benefits, and let working conditions deteriorate in order to compete with others in the industry. Failure to do this would place the particular company at a competitive disadvantage. No matter how much direct employers may want to pay a living or a family wage, they may be forced to pay the going rate or go out of business. This scenario is most evident in developing countries where labour protection is minimal, labour unions are suppressed, and labour markets are flooded, although it also still exists in developed countries. This is why so-called indirect employers are so critically important in the determination of pay.

[65] See Benedict XVI, Encyclical Letter *Caritas in Veritate*, 40.

[66] Benedict XVI, Encyclical Letter *Caritas in Veritate*, 45.

[67] See John Paul II, Apostolic Constitution *Ex Corde Ecclesiae* (1990).

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