Corporate Responsability as if Christian Values mattered

The Role of Business Leaders in a global reform process in the spirit of *Laudato Si'*

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> By the Sermon on the Mount, we mean the absolute ethic of the gospel, which is a more serious matter than those who are fond of quoting these commandments today believe. This ethic is no joking matter. The same holds for this ethic as has been said of causality in science: it is not a cab, which one can have stopped at one's pleasure; it is all or nothing. T his is precisely the meaning of the gospel, if trivialities are not to result.
>
> Max Weber
> Politics as a Vocation

1. The context

Pope Francis' Encyclical letter *Laudato Si'* provides a state-of-the-art analysis of the undesirable ecological, social, economic and eventually political consequences of the current development paradigm of our "common home".[2] Squandering of non-renewable resources, reduction of biodiversity or climate change as well as acceptance of increasing economic disparities and social inequalities violate human rights, erode social capital and damage the prospects of a good life for billions of people today and in the future. Delineating these unpleasant truths and demanding a fundamental change of course, the encyclical letter anticipated the *Agenda 2030 for Sustainable Development.*[3]

Laudato Si', however, is much more than an alarming report and urgent appeal to change the development paradigm. Pope Francis puts his message in a theological and ethical context and adds a spiritual dimension, reminding us that the belief in a global *change of course* towards a world without poverty, social exclusion and environmental destruction presupposes the consistent and coherent application of universal ethical principles such as respecting human dignity, honoring social justice, caring for the common good, and nurturing shared wellbeing. Pope Francis draws attention not only to the broad agreement among leading scientific experts but also to the extraordinary convergence of values and the promising synergy among religious leaders. The Pope therefore sees a pivotal role of the major world religions in advocating a change of course towards a sustainable development with a human face.[4]

The reference to global values and the introduction of a spiritual dimension in a hitherto secular discourse makes a fundamental difference. By pointing out that human beings cannot be separated from the integrity of creation and depend on the inviolacy of our "common home" it changes our understanding of the issues at stake and hence the rules of the game. In a world in which *market prices* predominantly determine what is valuable, the worth of precious common goods and the integrity of social capital are systematically underestimated. The value of social capital and nature capital, so it seems, is only appreciated once it is severely depreciated. In a time of *post-truth politics* and acceptance that there are also *alternative facts,* emotional appeals to short-term interests of influential constituencies seem to have the same if not a greater weight than scientific facts. Such frame conditions are conducive to incentive structures that favor the pursuit of material short-term self-interests over societal long-term common interests.

Investing corporate resources today for a return in the remote future benefitting anonymous people elsewhere in the world contradicts conventional business and

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2   Pope Francis: Laudato Si' (2015).
3   UN: Transforming the World: Agenda 2030 for Sustainable Development (2015).
4   Chancellor Pontificia Academia Scientiarum (2015), p.3.

therefore managerial logic. The same is true in the political sphere. Inflicting short-term burdens on local electoral constituencies today for the sake of preventing future damage for people of coming generations living far away does not serve the re-election interest of local office holders – and therefore contradicts political logics. Last but not least, without allowing for a spiritual dimension in individual decision-making most of us are likely to follow a comparable logic. Abstaining from the purchase of items that are not necessarily needed but prestigious and therefore admired by peers in a consumer society does not trigger enthusiasm. The same is true for accepting uncomfortable restrictions on individual mobility. If there is no awareness of and commitment to a greater common purpose and an inner, spiritual motivation to contribute to it because it is the *right thing to do*, sacrificing prestigious or convenient but unsustainable habits today for a minuscule long-term benefit in the future for people living far away will not trigger off a *mass movement*. Without spiritual, philosophical or religious reflections and considerations becoming part of individual decision-making, immediate and material interests are likely to prevail in society, economy and politics – attitudes that are not compatible with sustainable development.

Initiating a global *change of course* with a new development paradigm presupposes broad, unorthodox and creative thinking enriched by a spiritual dimension. If a growing number of world citizens is to become aware of the necessity of responsible consumption, "ownership" by as many as possible well-meaning stakeholders - regardless of religion, cultural setting or professional area - must be assured. To this end a "... new dialogue about how we are shaping the future of our planet" (LS 14) that has been initiated by *Laudato Si'*. Although "...the Church has no reason to offer a definitive opinion" (LS 61), it would be a regrettable loss to neglect the accumulated wisdom of the Catholic social teaching – from Pope Leo XII's *Rerum Novarum* (1891) to Pope Francis's *Laudato Si'* (2015): "In today's complex situation, not least because of the growth of a globalized economy, the Church's social doctrine has become a set of fundamental guidelines offering approaches that are valid even beyond the confines of the Church: in the face of ongoing development these guidelines need to be addressed in the context of dialogue with all those seriously concerned for humanity and for the world in which we live." (DCE 27)

Raising awareness and sensitizing as many people as possible, especially political and business leaders, with regard to their respective responsibility is necessary – but not sufficient. Against the background of the available scientific (and increasingly empirical!) evidence that a business as usual approach to development is unsustainable, the time has come to devise concrete measures and to start implementing them. To this end, Pope Francis wants to generate "... a crosscutting wave of "good vibes" to embrace the whole of society from top to bottom, from the periphery to the center and back, from leaders to communities, and from villages and public opinion to the key players in society (...) sharing their experiences and best practices and acting together to break down barriers and open new paths of justice to promote human dignity, freedom, responsibility, happiness and, ultimately, peace."[5]

The initiative *Ethics in Action* is part of this generation of "good vibes". It intends to "bring into heightened focus the underlying ethical principles and values which alone are capable of addressing the challenges in a manner consistent with human dignity,

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5   Pope Francis: Address to Judges (2016).

the common good, social justice, and shared wellbeing in true solidarity." [6] Its purpose is to brainstorm about effective solutions that are "...informed by a shared moral vision of human flourishing (...) to advance sustainable and integral human development through an effective collaboration among world religions for the purpose of articulating universal values and ethical imperatives and indicating how such values and ethics might be *applied in practice* to address pressing global challenges."[7]

The fact that all major religions are part of the Ethics in Action initiative underlines that there is a fundamental consensus concerning binding values, irrevocable standards and fundamental moral attitudes among religions[8] and acknowledged by men of good will in all cultures and over time is a most promising point of departure. [9]

As the economic sector is *the* most dynamic and innovative sub-system of society, the role of business corporations and their leaders is of vital importance for the transformational process ahead. Due to their organizational and financial power, their constant drive for more innovative, efficient and effective solutions, *entrepreneurs and business leaders* are among the most important societal actors to be involved in the conception and implementation of the new understanding of development. Many church and civil society representatives regard business as part of the problem. Transgressions and scandals of the past – but also unmet expectations that *business corporations* do more to improve social and ecological conditions - have eroded trust: Only 52% of the people interviewed in 28 industrial countries and emerging economies trust business "to do what is right", and, at 37%, the credibility of CEOs is at an all time low.[10]

Regardless of the situation in the past and of the level of trust today, business must be part of the solution, otherwise all other efforts will fail. This means that business leaders must be committed to the sustainable development concept, set respective corporate targets and make respective key performance indicators a part of their corporate success measurement. If this happens, business will be a powerful force for good – *good* in the sense of being a leading contributor to a sustainable development architecture outlined by *Laudato Si'*.

2. Sustainable Development: A new understanding of the game

2.1. A shared understanding of the problem and shared values as a fundament for common endeavors.

All over the world, and from different political, ideological and cultural perspectives, people have a positive connotation with regard to *development* as a process that – on balance and for a majority of people – moves the current state of affairs in a desirable direction. Starting with the *Brundtland-Report*[11] in 1987 and increasingly so after the *Rio Declaration[12]* in 1992, most development experts, politicians, religious leaders, civil society actors and business leaders arrived at a common understanding about the basic elements of human development that also

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6   Chancellor Pontificia Academia Scientiarum (2015), p.4
7   Chancellor Pontificia Academia Scientiarum (2015), p.4 (my *italics*).
8   Parliament of the World's Religions (1993)
9   Global Ethic Foundation
10 Edelman Trust Barometer (2017).
11 World Commission on Environment and Development (1987).
12 UN Conference on Environment and Development (1992).

respects the interests of future generations.[13] The *Agenda 2030 for Sustainable Development* represents the political and scientific consensus of the international community about the diagnosis of the problems as well as the core elements of solutions. [14]

The synthesis of sustainable development thinking is not only represented by the *Agenda 2030* but likewise by *Laudato Si'*. Pope Francis builds upon the insights of the Catholic social teaching since *Pacem in Terris*[15] and *Populorum Progressio*[16], implicitly also on *Rerum Novarum*[17] *and Quadragesimo Anno.*[18] Ensuring that all human beings can fulfill their potential in dignity, enjoy equality (at least of opportunities) and live in a healthy environment and a good society that leaves no one behind has been part and parcel of the Church's social teaching since the beginning. The Church's *preferential option for the poor* is in this regard of utmost importance. A shared understanding of the problem and shared values are excellent preconditions for joint endeavors of politics, the economy, the civil society sector and religions communities to work together for the necessary *change of course*.

Another important common feature of secular and ecclesiastical statements is that development is not "… a straightforward process, as it were automatic and in itself limitless, as though, given certain conditions, the human race were able to progress rapidly towards an undefined perfection of some kind."[19] (SRS 27) Different paths, appropriate in the local context, are necessary. Sustainable solutions depend "…on history and cultural heritage, religious traditions, human and economic resources, climatic and geographic conditions, and political patterns of nations. "[20] The common denominator for all development endeavors compatible with *Laudato Si'* is the preservation of human dignity and the widening of opportunities for future generations.

The structural and politically most significant difference between the new and the "old" understanding of development is that sustainable development can no longer be seen as a *catching up process* in relation to the socio-economic and material state of affairs of the industrial countries. Development efforts must be less energy-intensive, use less non-renewable resources, create less waste of a non-recyclable kind and reach more people who define their wellbeing in a less materialistic sense.

Einstein´s insight that one cannot solve problems from the same level of consciousness and by using as a compass the same kind of thinking that was used when the problems were created applies here. This makes all countries *developing countries* - and this entails *common but differentiated responsibilities* for all people all over the world. This means different things for a banker in New York than for a shepherd in East Africa, a miner in Bolivia, a day laborer in India or a child in Aleppo. And the respective "wish and duty list" will differ again if we ask the wife of the banker, the shepherd, the miner or the day laborer – and the mothers of the children in Aleppo. It also means that the affluent minority of today's world's population will have to

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13   Leisinger K.M. (1998); Leisinger K.M. (2014).
14   UN: Transforming the World: Agenda 2030 for Sustainable Development (2015).
15   Pope John XXIII (1963): Pacem in Terris (PT).
16   Pope Paul VI (1967): Populorum Progression (PP).
17   Pope Leo XIII (1891): Rerum Novarum (RN).
18   Pope Pius VI (1931): Quadragesimo Anno (QA).
19   Pope John Paul II (1987): Sollicitudo Rei Socialis (SRS).
20   Report of the Independent Commission on International Development Issues (1980), Foreword by Willy Brandt p. 7.

reduce the size of its ecological and social footprint in order to allow for qualitative economic growth of the world's poor and for future generations. An old message from the Bible gives a hint on what differentiated responsibilities in reality mean: "From everyone who has been given much, much will be required; and from him who has been entrusted with much, even more will be demanded." (Luke 12:48)

So far, however, the new understanding of the "development game"[21] has not resulted in sufficiently operationalized new rules for practical application. To develop concrete new rules and to eventually apply them consistently and coherently in individual, institutional, national and international activities, "new paths" must be travelled. (LS 53) On this journey different societal actors have different responsibilities

2.2. Division of responsibility and necessity of cooperation

While this essay focuses on the responsibilities of business corporations and their leaders, a comprehensive societal change as discussed here can, however, not be achieved in isolation from all other societal actors. *Laudato Si'* (and the *Agenda 2030*) must be understood in the same way as the preamble of the *Universal Declaration of Human Rights* understands human rights: a common standard for all. If we would replace the term "Declaration" by "*Laudato Si'*" and "rights and freedoms" by "requests", *Laudato Si'* (and the *Agenda 2030*) would be proclaimed as

> "...a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping *Laudato Si'* and the *Agenda 2030* constantly in mind, shall strive by teaching and education to promote respect for the requests and by progressive measures, national and international, to secure their universal and effective recognition and observance, among the peoples of the world."

This presupposes complex behavioral change of all actors all over the world and in all societal sub-systems.[22] A global reform process of such a dimension and complexity requires a common understanding of the problems at hand, a commitment to shared values and coherent action of all relevant stakeholders, i.e. all well-meaning humans (*homines bonae voluntatis*!) in their private and professional roles in bodies of the international community, national governments, the business sector, civil society - and in their individual homes.

Experience shows that a nation's - and, by accumulation, the world's - economic and social success is at its greatest if and when there is cooperation involving a *fair division of labor and responsibility* among the different societal stakeholders on the basis of shared values. No stakeholder can assume responsibility for everything; no one can claim sweeping rights. While those having "broader shoulders" must carry a higher load, no one should bear the brunt of all the duties for sustainable development. We need:

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21 Suchanek A. (2015), Broock M.v. (2012). The "game metaphor" developed by Andreas Suchanek and Martin von Broock is helpful in the sustainable development discourse as well as in delineating a reform process for business compliant with *Laudato Si'*. Suchanek and von Broock differentiate in an overarching *understanding of the game*, *corresponding rules of the game* within that understanding, and individual *moves* still feasible within these rules.

22 One can look at "society" as a comprehensive social system consisting of a number of complex sub-systems (e.g. the economy, the political system, the legal system, religion, science, art). They all have different tasks and bounded rationalities ("functional differentiation").

- Peaceful and constructive international relations,
- Good governance of all institutions conducting public affairs and managing public resources,
- Responsible corporate conduct.
- Coherent conduct of all other societal actors, and, last but not least,
- *Voluntary simplicity* and *sophisticated modesty* as the new admired life styles.

The *sustainability journey* will be long, but as Chinese wisdom teaches us, even the longest trip begins with a single step.

Peaceful and constructive international relations

First things first: Achieving a state of development where human life in its richness and interconnectedness with all other aspects of creation is thriving for today´s as well as for future generations crucially depends on *peaceful, cooperative international relations.* Lack of peace has enormous human, financial, social, ecological and political costs and binds resources that are needed to finance the investments necessary for sustainable development.[23] International cooperation as defined in the *Millennium Development Goals 8*[24] but also in SDG 17 is a *conditio sine qua non* for a successful global transformation process. The economically and technically more developed countries are responsible for a much higher share of today's ecological state of affairs than the world's three billion poor. They therefore have a moral responsibility "to promote human solidarity" (PP 48) in all its possible forms.

Promoting solidarity is not only a humanitarian duty but also action in enlightened self-interest. First of all, the human misery of the more than one billion people still living in absolute poverty is a humanitarian tragedy that cannot be ignored by thoughtful human beings without the feelings of metaphysical guilt Karl Jaspers wrote about.[25] In addition, ecological pressure, lack of gainful employment, social strife and the lack of a perspective for living a life in dignity create a circular causation process that triggers a downward-spiral of violence and poverty the effects of which will affect all of us. Peaceful and constructive international relations help to prevent such a downward spiral. Of course international relations conducive to sustainable development involve more than preventing war in all of its destructive forms. They also include fair trade conditions, capacity building, political coherence for all involved

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23 Institute for Economics and Peace (2016).
24 Namely, open, rule-based, predictable, non-discriminatory trading and financial system; addressing the special needs of least developed countries, landlocked developing countries and small island developing states; dealing comprehensively with the debt problem of developing countries, and - in cooperation with the private sector - providing access to affordable essential drugs and making available the benefits of new technologies, especially in the fields of information and communications. See http://www.un.org/millenniumgoals/global.shtml
25 Jaspers K. (1946 / 1948). Jaspers differentiates between criminal, political, moral and metaphysical guilt;. With regard to this last category he makes the following remark: "Metaphysical guilt is a lack of absolute solidarity with human beings as human beings. This solidarity remains an inextinguishable claim even if and when morally meaningful demands have ended. This solidarity is violated by my presence at the site of injustice and crimes." (my translation, p.64 German edition).

as well as the transfer of environmental and other technology to "buy" as much time for behavioral adjustments as can be bought with technology.

Good governance of all institutions conducting public affairs and managing public resources

A second precondition for success in sustainability endeavors is *good governance*, i.e. a high-quality government implementing appropriate politics within a state that is "lean" due to adherence to the principle of subsidiarity – but is nonetheless "strong", as it acts consistently and coherently. The traditional pillars of good governance are *transparency* in political and societal decision-making, *responsiveness* to priority needs, *accountability* for the policies and work undertaken by state employees, the *rule of law* and an *independent and efficient judicial system*, as well as *institutional pluralism* and *participation* of the people in all decisions affecting their lives. Good governance is ruling with integrity - and integrity is not only being honest and acting in harmony with consistent ethical standards, but also acting on the basis of the available knowledge and, in cases of doubt, by applying the precautionary principle accepted by the international community in 1992 as part of the *Rio Declaration*.[26]

There are problems, which the market can solve, and others, which it is incapable of solving. This makes the decision to what extent and in which areas *market solutions* should prevail and where the government ought to intervene through *regulation* and *public services* a most important political duty. The price of fossil fuels is a prominent example in this regard. Poorer crude oil exporting countries might have an interest in increasing production output to boost national income. This usually triggers off similar measures of other oil exporting countries – with the result of pressure on prices, which *ceteris paribus* results in higher consumption. Fuel prices based on such supply determinants do not reveal the "ecological truth": environmental costs caused by their use are externalized and passed on to future generations.

Regulation is usually brought in after damage has been done. Taking note of the dimension of the damages connected with a prolongation of the *business as usual* that seems too incalculable a risk. As, however, regulation is always a reduction of freedom – also of entrepreneurial freedom - "more regulation" as such is not the silver bullet. Voluntary commitments on the basis of value convictions are more desirable. In order to be credible public corporate sustainability statements ought to be treated in the same way as financial reporting, i.e. as being legally binding and audited by certified public auditors. Without credible and verifiable voluntary commitments, however, there is little choice concerning the ways of preventing a continuation of man-made climate change.

Textile or toy products manufactured under exploitative work conditions pose a similar issue. If and when the prices should tell the "social truth", government interventions (e.g. taxes or tariffs) must be used to create a level playing field with responsible producers. If prices of such goods are left to the market, consumers are expected to resist the temptation to buy the less expensive product. As it is a part of human nature to yield to temptation, sustainable solutions should not depend on the willingness to demonstrate *consumption heroism*.

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26   Principle 15 "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

Good governance also comprises *public services* of good quality accessible to those who cannot afford marked-based or insurance-covered services. While health and education are particularly important, all parts of infrastructural investments areas (roads, electricity, security, etc.) must also be of good quality and accessible to the poorer members of society as they are a precondition for the success of development-from-below initiatives. Which kind of regulatory and public service policies leads to more inclusive, equitable and efficient solutions will remain disputed. The recurrent challenge for those in authority is to *exploit the efficiency of the market in allocating scarce resources and to reconcile this with the principles of social justice and environmental sustainability*. Neither a *not enough* nor a *too much* of regulation create desirable frame conditions. To find *prudent regulation* in a given context is an art politicians are responsible for.

Last but not least, good governance also means developing a national implementation plan for the 2030 Agenda on the national, state and community level. Such a plan is only credible if appropriate funding for its implementation is provided and accountability for the results is made transparent and plain. Where in low-income countries national political goodwill for SDG implementation exists but the respective financial and technical means to implement it are not available, support by the international community is crucial – it is a part of rich countries' good governance.

"Good governance", like everything else human beings are responsible for, does not "fall from heaven"; it is the result of wise human engagement: "As citizens of the State, they are called to take part in public life in a personal capacity. So they cannot relinquish their participation 'in the many different economic, social, legislative, administrative and cultural areas, which are intended to promote organically and institutionally the common good.' (..) The mission of the lay faithful is (..) to configure social life correctly, respecting its legitimate autonomy and cooperating with other citizens according to their respective competences and fulfilling their own responsibility." (DCE 29).

Responsible corporate conduct

Business enterprises, too, have a number of specific duties and responsibilities that other actors in a fair societal division of responsibility do not have. Above all, it is to provide goods and services that succeed in meeting customer demands and can be sold at prices that are competitive and in the best (long-term) interest of the corporation while adhering to the law and regulations as well as observing international norms. The goods and services made available through different kinds of markets provide society with different kinds of social and economic value and often make the daily life of people easier and more pleasant.

However, it is not business *per se* that is a positive force for sustainable development, but businesses that compete with integrity. The third layer of responsibility is therefore corporate responsibility. It is expressed first of all by adhering to the legal and regulatory standards of a country – regardless of the competitive situation and the short-term cash flow. Legal conduct is non-negotiable. It would, however, be insufficient to request abstinence from illegal practices and to insist on exemplary punishment of those responsible for them. Business has much more to offer than legal value creation. The *sustainability quality* of corporate conduct can be enhanced significantly through enlightened business leaders committed to additional voluntary investments and services in their sphere of influence. These

investments and services are different in different sectors of the economy but usually within the scope of the ten principles of the *UN Global Compact*[27] on human rights, labor, environment and anti-corruption.

It lies within the freedom of choice of business leaders whether or not additional investments and services to support a change of course are made. If and when such a decision is taken and public commitments to a time-bound and quantified portfolio of voluntary deliverables are made, they make a huge difference. The most important element of responsibility lies therefore not with the corporation as a *legal entity*, but with the human beings in charge of decision-making within the companies who manage the business.

Human beings with sustainability values, ethical musicality and the will to act

Pope Paul VI put it simply and clearly: "Man is the source, the center, and the purpose of all economic and social life." (GS 63). Human beings determine all economic and social processes; markets always reflect the values of the human beings creating them. S*eeing*, *judging* and *acting*[28] in the spirit of *Laudato Si'* is the single most important precondition for a societal change of course towards sustainability. "Good human beings" for whom *Laudato Si'* is an inspiration and a compass for personal conduct and attitude are the most important keystone of a good society. Individual responsibility for integral development with a human face cannot be shifted onto others. *Not doing* "the right thing" despite knowing the consequences cannot be attributed to a lack of good governance, wrong financial incentives or obstructive market circumstances – it is a lack of human good will. To use the words of Max Weber, doing what is needed for a development compatible with *Laudato Si'* must come from an inner stance, from an ethics of responsibility, where man "… does not feel in a position to burden others with the results of his own actions so far as he was able to foresee them; he will say: these results are ascribed to my action."[29]

If all human beings all over the world in all their professional and private roles are willing to accept their individual responsibility for sustainable development, a global transformation process will start. *Accepting* means not only intellectual approval but also coherent action in their sphere of influence. It is the sum of the small changes of 7.4 billion people – and above all of the 1.5 billion people at the top of the global income pyramid – with regard to e.g., the consumption patterns, use of energy, water, non-renewable raw material, and the mobility patterns which launches a sustainability revolution. Waiting for international bodies, governments and businesses to come up with a *deus ex machina* innovation would be like *Waiting for Godot*.

All human beings are moral subjects – therefore all human decisions and actions are morally relevant. With regard to the answer to the question "What action is compatible with *Laudato Si'* in a given situation?" context matters: In a functionally differentiated society managers of business enterprises have a different role, different corresponding tasks and therefore different responsibilities than e.g. a priest in a church community or a researcher in a university or corporate research institute. But morality – and the normative imperatives for sustainable development constitute an important aspect of the modern understanding of morality – is introduced to any social

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27 https://www.unglobalcompact.org/what-is-gc/mission/principles
28 Pontifical Council for Justice and Peace (2012), §§ 15 ff.
29 Weber M. p.23 (1918).

system and certainly to business enterprises by *the human beings, their individual values and level of personal integrity*. It is human beings that shape corporate culture; it is human beings who define the legitimate scope of action and act as exemplars. The ultimate decision on any specific action or omission is always an individual moral decision. Thus *individual human beings* – in whatever institutional setting – are responsible and have to be held accountable as moral actors.

This applies particularly to those working at the top of a corporate hierarchy. Their terms of reference contain the decision power to define good corporate governance and to implement all elements necessary to make corporate performances compatible with sustainability requirements. The choice of values, the sincerity of living up to them (*walking the talk*) and *tone from the top* determine the excellence of sustainability commitments and the credibility of implementation. This makes the personality and character of business leaders the most significant element of corporate sustainability conduct.

The issue to be aware of and the potential problem to deal with has been formulated by the Pontifical Council for Justice and Peace as follows:

> "Many pressures business leaders face may lead them to forget the Gospel call in their daily professional activities. It may seduce them into believing, 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 maximizing profit, 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 and distorted."[30]

From this perspective, the *principle of subsidiarity* gains renewed importance – not only pertaining to where action should happen but also with regard to the allocation of responsibility and accountability: "Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them." (QA 79)

3. An understanding of business in a good society in accordance with *Laudato Si'*

The development of an understanding of the business enterprise which is compatible with *Laudato Si'* requires more than criticism of particular inappropriate corporate practices such as e.g. "out of scale manager remuneration", "inadequacy of environmental protection" or "avoidance of taxation". We are dealing with a system issue, a new understanding of the game. System issues have to be tackled on the systems level. To use an plausible metaphor: one should not expect a business to play highly sophisticated soccer and strive for a global fair play award, while the rest of society plays rough American football or even rugby. Theodor W. Adorno's diagnosis

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30   Pontifical Council for Justice and Peace §12 (2012).

that *there is no right life in the wrong one* applies also in this context.

Sustainable development inspired by *Laudato Si'* needs the societal frame of a *good society*. And a good society consists of people inspired by *Laudato Si'* values and convictions who also live up to them. Sustainable development necessitates truly *human development*: "There cannot be holistic development and universal common good unless people's spiritual and moral welfare is taken into account, considered in their totality as body and soul." (CV 76). Common and sustained efforts for a business conduct compatible with *Laudato Si'* cannot be discussed in isolation from supporting efforts to create a good society.

3.1. Keystones of a good society – and a reality check

The Church's social teaching gives many leads on the characteristics of a *good society*. A few examples from *Laudato Si'* and *Caritas in Veritate* indicate the amount of transformation work to be done:

- The Church wants "a society that is attuned to man, to his dignity, to his vocation." (CV 9)

  Reality check: Business is attuned to the purchasing power of men, their willingness to spend and the satisfaction they acquire by consumption;

- "In the present condition of global society, where injustices abound and growing numbers of people are deprived of basic human rights and considered expendable, the principle of the common good immediately becomes, logically and inevitably, a summons to solidarity and a preferential option for the poorest of our brothers and sisters." (LS 158)

  Reality check: Solidarity is neither part of business language nor practice;

- "God gave the earth to the whole human race for the sustenance of all its members, without excluding or favoring anyone." (LS 93)

  Reality check: As private and collective purchasing power determine the demand on markets, market mechanisms favor those who have more resources;

- "An integral ecology is inseparable from the notion of the common good, a central and unifying principle of social ethics. The common good is 'the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment'" (LS 156)

  Reality check: Conventional economic and business theory implicitly assumes that the common good is taken care of by the invisible hands creating markets and that benefits also trickle down to the poor segments of society – both assumptions depend on specificities of good governance and appropriate regulation;

- "The current global situation engenders a feeling of instability and uncertainty, which in turn becomes 'a seedbed for collective selfishness' [...] When people become self-centered and self-enclosed, their greed

increases. The emptier a person's heart is, the more he or she needs things to buy, own and consume. It becomes almost impossible to accept the limits imposed by reality. In this horizon, a genuine sense of the common good also disappears. As these attitudes become more widespread, social norms are respected only to the extent that they do not clash with personal needs." (LS 204)

Reality check: Conventional business theory still implies a homo oeconomicus construct and thus implicitly the Mandevillian idea that selfishness of the individuals is eventually good for all[31] - such a view of the world is particularly inappropriate in a time of known negative circular interdependencies and cumulative causations of the collateral damages of today's business as usual.

- "We must regain the conviction (…) that we have a shared responsibility for others and the world, and that being good and decent are worth it. We have had enough of immorality and the mockery of ethics, goodness, faith and honesty. It is time to acknowledge that light-hearted superficiality has done us no good. When the foundations of social life are corroded, what ensues are battles over conflicting interests, new forms of violence and brutality, and obstacles to the growth of a genuine culture of care for the environment. (LS 229)

Reality check: Conventional business conduct has in many cases led to an erosion of social life and an overburdening of the carrying capacity of biospheres;

- "Love for society and commitment to the common good are outstanding expressions of a charity which affects not only relationships between individuals but also 'macro-relationships, social, economic and political ones'. […] Social love is the key to authentic development: 'In order to make society more human, more worthy of the human person, love in social life – political, economic and cultural – must be given renewed value, becoming the constant and highest norm for all activity.'" (LS 231)

Reality check: Love is not part of the vocabulary of the great majority of business leaders[32];

- "*The way humanity treats the environment influences the way it treats itself, and vice versa.* This invites contemporary society to a serious review of its life-style, which, in many parts of the world, is prone to hedonism and consumerism, regardless of their harmful consequences. [..] What is needed is an effective shift in mentality which can lead to the adoption of *new life-styles* 'in which the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine consumer choices, savings and investments'[..]. Every violation of solidarity and civic friendship harms the environment,

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31   Mandeville B. (1714).
32   Leisinger K.M. (2017)

just as environmental deterioration in turn upsets relations in society. (CV 51)

Reality check: solidarity and civic friendship are not part of business vocabulary;

Against the background of this understanding of a good society the Church`s social teaching has a clear notion of the economic sector and business.

3.2. The economic sector and business from the perspective of the Church's social teaching

Most statements of the Church's social teaching on the economic sector and economic growth, on markets and the necessity of corporate profits, are basically positive. However, in the light of the authors' awareness of the ambivalence of human nature, the respective testimonies are "*Yes, but*"-*statements*:

- *Economic growth* is seen to be "a positive factor that has lifted billions of people out of misery." (...) Yet it must be acknowledged that this same economic growth has been and continues to be weighed down by malfunctions and dramatic problems." (CV 21);
- "If, however, it is environmentally destructive and brings only benefits to a small economic elite it can on balance promote a downward vicious circle: "The most extraordinary scientific advances, the most amazing technical abilities, the most astonishing economic growth, unless they are accompanied by authentic social and moral progress, will definitely turn against man." (LS 4 quoting Pope Paul VI)
- The *economic sphere* is neither ethically neutral nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner; (CV 36)
- *Every economic decision has a moral consequence* (CV 37) – hence consumers and investors can influence the moral quality of markets by allocating their purchasing power and investment funds according to ethical criteria (CA 36);
- *"*Economic activity cannot solve all social problems through the simple application of *commercial logic.* This needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. (CV 36), "By itself the market cannot guarantee integral human development and social inclusion". (LS 109);
- An economy of exclusion and inequality "kills": "Today everything comes under the laws of competition and the survival of the fittest, where the powerful feed upon the powerless. As a consequence, masses of people find themselves excluded and marginalized: without work, without possibilities, without any means of escape." (EG 53);
- *"Profit* is useful if it serves as a means towards an end that provides a sense both of how to produce it and how to make good use of it. Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty." (CV 21);
- "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. (...) In recent years a new *cosmopolitan class of managers* has emerged, who are often *answerable only to the shareholders generally consisting of anonymous funds which de facto determine their remuneration.*"(CV 40);

The Pontifical Council for Justice and Peace adds a deplorable "cultural change" of Western societies to this list: "With a strongly utilitarian view of economics and even of society on the rise whole populations are encouraged to focus on achieving 'what works for me', independently of the effects on others (...) '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 claim a disproportionate share of the wealth created, for employees to nurture an attitude of entitlement, and for customers to foster a culture of instant gratification."[33]

Statements like these from the Church's social teaching cannot be brushed aside as an ecclesiastical aberrance coming from well-meaning people who have no idea about business reality. The content of these statements is fully compatible with today's state-of-the-art literature on business ethics and corporate responsibility[34] and the views of enlightened business leaders.[35]

One of the root problems behind today's normative criticism of and widespread distrust in corporations and their leaders is an oversimplified understanding of the role of a business in society and the narrow definition of the fiduciary responsibility of management. Both suffer from excessive reductionism. While the *moral Gauss-distribution* is likely to be the same among all human beings across the different professional roles, it would be naïve to neglect the fact that the worldview, the perceived priority of values and action is quite different e.g. between members of the Roman Curia of the Holy See and members of the executive committees of e.g. General Electric, Volkswagen, Sinopec or the Shanti Gold Corporation.

Reasonable people all over the world and of all professions are likely to agree that *fairness, justice* or *freedom are* important values. When, however, applying them in a specific context, e.g. *fairness of labor standards, justice also reflecting intergenerational justice* or *freedom of competition*, decision makers of the Church are likely to come to different conclusions about practical consequences than, e.g., business leaders in Wolfsburg, Johannesburg, Detroit or Dhaka.[36]

Managing corporations in harmony with sustainable development criteria necessitates a new understanding of the role of business and the responsibilities of its leaders – in a societal context that appreciates this. For enlightened business leaders the pursuit of an ever growing profit is not an end in itself. Profit is seen as the eventual outcome of all endeavors to satisfy customers in a way that has a positive overall impact on society and the common good, including intergenerational justice.

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33 Pontifical Council for Justice and Peace § 24 (2012).
34 Brenkert G.G. / Beauchamp T.L. (Eds.) (2010); Crane A. / McWilliams A. / Matten D. / Moon J. / Siegel D. (Eds.) (2009).
35 Schwab K. (2017).
36 Walzer M. (1994).

Such an attitude leads to much broader answers to the central question *Who is responsible to whom for what and in what way?*

4. Towards a Corporate Responsibility Management in accordance with *Laudato Si'*

Successful entrepreneurial engagement and the resulting business activities in the enterprise and supply chain are the most important driving forces of economic development. If and when business activities are pursued in a way that is compatible with the vision of a *Laudato Si'*, business will also be an important force for good, as it is both responsible and sustainable: responsible in the sense of *responding* to the questions posed by the environmental and social state of the world and sustainable in the sense of creating the precondition for future success.

4.1. A Corporate Responsibility architecture in accordance with Laudato Si'

The business community can support human development which is in accordance with *Laudato Si'* by building up a respective corporate responsibility architecture. A first necessary step is that the corporate top decision-makers familiarize themselves with the explicit content and implicit values expressed by Pope Francis and the Church's social teaching. A next step is to evaluate ways and means to operationalize such values – and then use them as guideposts for the corporate strategy and the business model. This might sound idealistic, but it is not. Value-based management is part and parcel of every successful business enterprise competing with integrity. Most of the values woven-into the message of the Church's social teaching are also part of enlightened values management approaches.

The almost undisputed management guru Peter Drucker pointed many years ago to the central fact that: "Business enterprises (..) are organs of society. They do not exist for their own sake, but to fulfill a specific social purpose and to satisfy a specific need of a society, a community, or individuals. They are not ends in themselves, but means. The right question to ask in respect to them is (…) What are they supposed to be doing and what are their tasks?"[37] He expected business more than 40 years ago "… to make fulfillment of basic social values, beliefs, and purposes a major objective of their continuing normal activities rather than a social responsibility that restrains or that lies outside of their normal main functions."[38] The new demand for business, so Drucker in 1973, is to "…produce the good society." [39] Today, enlightened business leaders, take the *why* and *what for* as equally important questions to be answered than the traditional *what* and *how*.[40]

The usual way to translate value convictions into daily business practices is to initiate and engage in a feedback driven process as shown below. It starts with a reflection and commitment to values, continues with the analysis of the appropriateness of the existing corporate guidelines and codes of conduct in the light of the values *and* the available knowledge. The creation of transparency about all this for all strategically important stakeholder groups is part and parcel of a professional
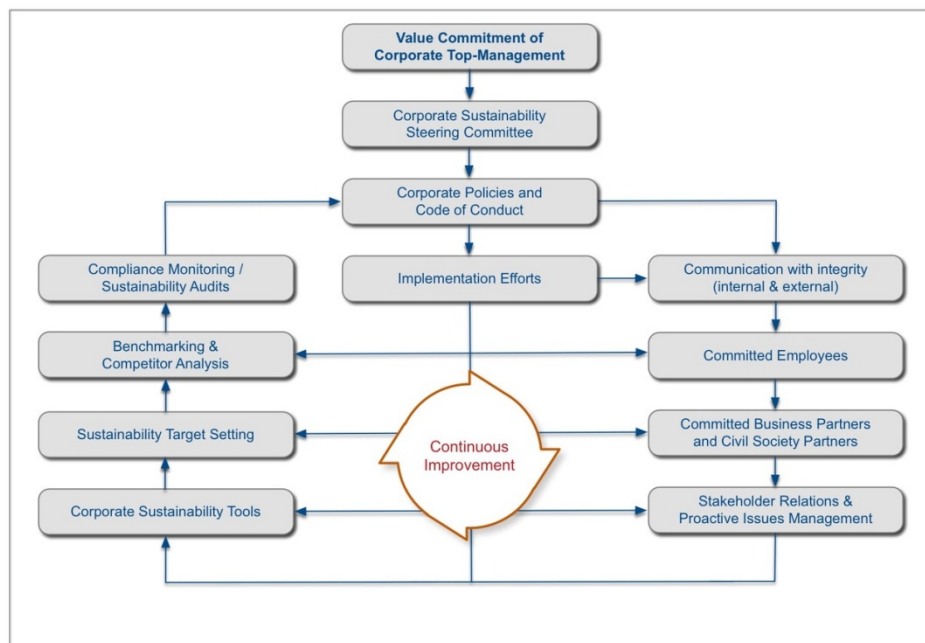
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37 Drucker P. p. 32; (1973).
38 Drucker P. p. 30; (1973).
39 Drucker P. p. 223; (1973).
40 Leipzig Graduate School of Management (2016).

values management approach. Finally, there is compliance monitoring as well as auditing of adherence to the *internal legislation* created in this way - taken with the same degree of rigorousness as it if were law.

Graph 1: Values Management Feedback Cycle

Corporate target setting and definition of key performance indicators, the design of performance appraisals and promotion criteria will reflect the values defined by top management. They will be routinely adjusted if and when new relevant knowledge becomes available. Moral enrichment targets and performance appraisals create internally a level playing field: employees doing the right thing for the right reasons can do so while pursuing their self-interest – moral heroism which puts value-motivated people at a competitive disadvantage is no longer necessary.

If and when a business strategy compatible with *Laudato Si'* is to be effective and efficient, it will also have to emphasize the conventional responsibilities of companies competing with integrity – but in an amended manner:

- *Economic responsibility*, measured in terms of value added in core competence, securing financial liquidity, cost-management, profit margins, market shares, customer satisfaction, innovation, etc. – however not in isolation from other spectra of responsibility:
- *Social responsibility,* assured by fair labor norms, living wage and basic health and old-age insurance, no child work, no forced work, no (gender, race, age, etc.) discrimination, employability, life-long learning, and all of this also in the supply chain. Social responsibility includes what the Pontifical Council for Justice and Peace mentions under the heading "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 payments)."[41]
- *Environmental responsibility,* in the sense of integrated environmental management, minimizing emissions and waste, minimal use of non-renewable resources, encouraging sustainable mobility, environment-friendly innovation, etc. – increasingly also in the supply chain;
- *Human rights responsibility,* by implementing the *UN Guiding Principles on Business and Human Rights* including the respective diligence; and
- *Anti-corruption responsibility,* i.e. working against corruption in all its forms, including extortion and bribery.

Such a *sustainable corporate responsibility architecture* is not something one can download from a website and transplant onto a company. Companies in different sectors have different risk and benefit profiles and their state of profitability allows for different possibilities for filling the managerial moral free-space with constructive investments beyond what is legally demanded. For any responsibility architecture to be effective and efficient it must be tailor-made and "owned" by the all employees on all levels of the hierarchy. Dialogues with employees and the invitation to submit proposals help to tailor-make the specificities of the respective company. For all this to happen, a special kind of leadership personality is needed.

4.2. Enlightened leadership personalities, not functional management experts

Ethical considerations become part of the *fabric of business* if and when the respective responsibility is attributed to and demanded from individual bearers of responsibility on all levels of the hierarchy, i.e. not only top management. Employees on all levels make decisions – within a smaller corridor than top management, but nevertheless. All employees throughout the hierarchy possess professional knowledge, work experience and social competence, all of them are born with moral talent that can be developed into moral competence. All of them have something to contribute. Anyone who wants to exert moral influence can do so and is therefore in a position to raise the ethical quality of group decisions.[42]

While most of the daily decisions within a corporation possessing an appropriate responsibility architecture do not require ethical reflection, some decisions present complex dilemmas and therefore necessitate ethical choices. Decisions of such principal nature are usually taken at the top of corporate hierarchies.

By virtue of their executive power, *members of top management* have a decisive influence on the values structure and moral culture of the company. It is their non-delegable responsibility to meet the following requirements:[43]

- The *corporate purpose and mission* are defined in the appropriate profoundness, comprising more than the economic aspects of a business enterprise; to determine the purpose is the single most important task of leadership: "a justifiable answer to the question of the why, the goal and aim of a task, and also the legitimization of a business model, an entire company and even the structure of a market economy is one of the biggest challenges of leadership. An aspiration to provide leadership

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41   Pontifical Council for Justice and Peace § 55 (2012).
42   Posner B.Z. (1986).
43   Leisinger K. M. (2010).

without providing a convincing answer to the question of the contribution to a greater whole runs the risk of being implausible and arbitrary."[44]

- *Normatively enriched corporate guidelines and codes of conduct* are developed, taught and disseminated so that it is clear beyond any doubt what values employees are expected to live by when they go about their work – and that compliance is monitored as if it were a legal prescription;
- *Target setting, content of performance appraisal and promotion criteria* cover not only financial and technical criteria, but also criteria reflecting aspects of a humanistic ethic;
- *The definition of the corporate sphere of influence* within which corporate responsibility rules are valid and compliance monitored comprises the relevant parts of outsourced activities;
- *To articulate the dilemmas* they are facing and make the values hierarchy with which dilemmas are managed transparent; last but not least, they must
- *Visibly live by the values* they have decided to be non-negotiable and thereby have be a role model, *set an example for all others*: it is a genuine aspect of positions of leadership to make targeted influence on others. In the words of Albert Schweitzer: Example is not the main thing in influencing others. It is the only thing.

The ethical aspect of the responsibility management process

Reflection on a given status quo is a complex process and must be properly prepared and executed. Ethics, as defined here, is the evaluation of *actual* human behavior and conduct in a given context in the light what they *ought to be* if known universal, religious values and principles are followed. Translated into the present context: the ethical task of a corporate responsibility process in accordance with *Laudato Si'* is to evaluate today's *business as usual conduct* in the light of the values and principles expressed by *Laudato Si'* and other relevant wisdom developed by the Church's social teaching. This means that both these principles and values AND the actual corporate conduct must be known. Against this background answers to questions such as the following have to be found:

- What, in the light of the normative statements and requests in *Laudato Si'* and other documents of the Church's social teaching, are the main weaknesses and vulnerabilities of the current corporate status quo?
- Which of today's weaknesses and vulnerabilities are due to business corporations having a different societal responsibility than religious communities? Which of such weaknesses and vulnerabilities can be "repaired" or "tamed" by investing additional resources in training, education, integral human development and technology? And which are not reparable and consequently have to be given up?
- How do we define the corporate 'sphere of influence' within which we feel accountable for human rights-related, social and environmental standards compatible with the spirit of *Laudato Si'* - and where do we draw the limits?

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44   Leipzig Graduate School of Management p.76 (2016).

- How do we proceed if the requests of *Laudato Si'* and the expectations of civil society conflict with those of the financial community? What *exactly* does it mean when we say that the economic sub-system has to serve society and not the other way around?
- And they answer other questions such as those on the "discernment checklist for the business leaders" complied by the Pontifical Council for Justice and Peace.[45]

Enlightened leadership personalities embed their *performance values* in a net of other values such as *social values* (e.g. fair labor norms, non-discrimination, employability), *co-operation values* (e.g. reliability, flexibility, willingness to collaborate), *communication values* (e.g. accuracy, materiality, completeness, timeliness, etc.) as well as *sustainability values* (e.g. integrating the 17 SDGs and the 169 targets).

Business leaders competing with integrity consider *legality* a non-negotiable must, however only in the sense of a the ethical minimum. They are aware that reliance on law alone triggers legalistic, compliance-based attitudes – and that this creates risks. If and when the quality of national law is inadequate and where applicable law does not (yet) represent state of the art knowledge, i.e. with regard to environmental matters, an exclusively legal corporate conduct could be illegitimate – if not irresponsible. To live up to the recommendations of *Laudato Si'*, business leaders will chose *legitimacy* as the base of reference.

As it is part of human nature to make self-referenced judgments that lead to self-serving results[46], open and informed discourses involving internal and external stakeholders views are necessary in order to come up with answers that pass the *Laudato Si'* test of significance. Enlightened business personalities pursue stakeholder dialogues, respect commensurable requests and deal with potential issues in a proactive manner.

Such requests not only reflect the standpoint of the Church's social teaching. Established management gurus argue in the same direction: "Leadership groups", so Peter Drucker, "have to take social responsibility, have to think through the values, the beliefs, the commitments of their society, and have to assume leadership responsibility beyond the discharge of the specific and limited mission of their institutions." [47] Business, according to Drucker, exists for the sake of society and therefore "...Free enterprise cannot be justified as being good for business. It can be justified only as being good for society." [48]

4.3. Idealism without Illusion and Realism without Resignation

If we accept that from a sustainable development perspective all countries are *developing countries*, they all need a kind of development assistance. This is why the message given by Pope Paul VI in his treatment of development in the encyclical *Populorum Progressio* is also valid here: We will need an ever-growing number of technical experts, but much more necessary is "...the deep thought and reflection of wise men in search of a new humanism, one which will enable our contemporaries to

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45   Pontifical Council for Justice and Peace (2012).
46   Bazerman M.K. / Tenbrunsel A. E. (2011).
47   Drucker P. p.18; (1973).
48   Drucker P. p.18; (1973).

enjoy the higher values of love and friendship, of prayer and contemplation." (PP 20). In other words: A responsibility management compatible with *Laudato Si'* presupposes leadership personalities who act in accordance with the principles of *Laudato Si'*.

It is tempting to describe an idealistic blueprint of religiously inspired – Christian, Muslim, Jewish, Buddhist, Jain or other - managers who are 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.[49]

One could argue that such personalities are much too rare to have a significant impact on the global business sphere – and fall into despair. One can, however, also argue with Hermann Hesse, that one has to *try the impossible to achieve the possible* – and hope for the best.

Whatever our attitude: there are no two ways about it that "normal" managers trained to perform according to the normal curriculum of the conventional business school have insufficient capabilities and competence. The *job profile* of business leaders who act in accordance with *Laudato Si'* comprises much more than the usual financial, marketing or technical expertise that are today's precondition for a top job. Sustainable development in the spirit of *Laudato Si'* represents a new understanding of the business game and necessitates compliance with new rules in a different societal value frame. The requirement profile of business leaders who live up to the values expressed by *Laudato Si'* is therefore more complex. The new leaders are still effective and efficient managers but are also personalities guided by humanistic ethics, able to practice moral imagination[50], motivated to exercise moral courage and persevering enough to withstand pressure from forces focusing on short-term financial results only. They are not only professionally excellent but also socially and emotionally competent and present themselves in a modest way. They deal with deviating opinions by learning from them for the development of qualitatively better solutions and do not behave condescendingly towards others.

Such people deal with their colleagues, but also with customers and supply chain staff, in the spirit of the Golden Rule, they encounter the representatives of civil society on an equal footing, take their values and interests seriously and consider them as far as possible when making decisions. This may be laborious in some cases, but in return their decisions will meet with greater social acceptance and mistakes will be avoided which arise from self-referential thinking and action.

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49 Pontifical Council for Justice and Peace (2012).
50 Werhane P. (1999).

"Do no harm" is necessary but not sufficient

Regardless of the most varied worldviews, different outlooks on life and expectations, people throughout the world are largely agreed on what is harmful and should therefore be unconditionally avoided. The basic and undisputed corporate responsibility is therefore *doing no harm* (primum non nocere). If *doing no harm* is understood in a proper comprehensive sense including not harming the quality of life of future generations, safeguarding the integrity of the whole creation, not moving profits around the world to avoid taxes but paying fair dues in order to enable state institutions to manage their affairs in a supportive way, a first big step towards sustainable development is taken.

If companies want to be trusted to work in the best interest of society *doing no harm* is no longer a sufficient maxim for action – up to two thirds of the citizens living in emerging economies and industrial countries expect that companies do more:[51]

Acting according to the Rio precautionary principle and remedy where damage has been done

The majority of people art least in modern societies expect compliance with *all commandments* of the ancient oath of Hippocrates:

- First of all do no harm (primum non nocere)
- Secondly act cautiously (*secundum cavere), and*
- Thirdly, heal (*tertium sanare*).

Mindfulness (seeing!) and the analysis of what exactly these three commandments mean in the context of a business leader's operational duties (judging!) will trigger a lot of new ideas, spur new insights and invigorate moral imagination. It is also likely to trigger social, economic and technical innovation facilitating all efforts to implement development in the spirit of *Laudato Si'*(acting).

6. Preliminary conclusions

If sustainable development is a realistic perspective, business must be part of the solution. As corporate leaders take business decisions, and as business decisions are of critical importance for sustainable development, business leaders must become a driving force.

If – in addition to excellence in expertise - their decisions are guided by moral imagination they will make a *game-changing* difference. It would be naive, however, not to accept that the moral *will* of top managers alone is not sufficient to implement the right thing to do - their actual *capacity* to act under structurally different rules of the societies that constitute their markets is to a certain extent limited. This is why it is important to reiterate that *Laudato Si'* and the *Agenda 2030* are blueprints for comprehensive societal reforms – business must be included but not singled out.

If the overall societal understanding of development changes due to changed values, all the delineated rules will also change – including those which shape the markets. If that is the case, ethically acceptable action as it is outlined in the Church's social teaching can be pursued in a manager's own interest. Moral heroism in the sense of sacrificing market shares, turnover and profits is then no longer necessary.[52] This is

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51   Edelman Trust Barometer (2017)
52   Homann K (2014) and Suchanek A. (2015).

not to say that individual human beings are released from their personal moral responsibility and the need to cultivate their capacity for moral judgment if the understanding of the game and the corresponding rules are not sustainability compatible. But if the *right understanding of the game and the respective rules* are incorporated, sustainable change is more likely to happen.

Ethically motivated reforms of business for the sake of an integral human development in the spirit of *Laudato Si'* necessitate investments which go beyond the current legal and regulatory requirements of most countries in the world. This gives rise - at least in the short term - to additional costs and competitive disadvantages and hence, ceteris paribus, to diminished profits. A business strategy founded on *Laudato Si'* in a differently structured societal frame does not have a short-term business case. But waiting for society to change before society's most dynamic sector gets its act together is not an acceptable strategy.

Leadership is different from followership; leadership is about doing different things and doing them differently. Leaders take initiatives; they want to be first movers. There are always possibilities and ways not to "to do what the Romans" do. This is usually not easy but in most cases possible through hard work, perseverance and networking. The *moral free space* to do things differently that Thomas Donaldson and Thomas Dunfee shed light on is almost always available in any business decision – it only needs to be seen and used.[53] When complex operational problems can, with the best will in the world, NOT be solved in a way that is compatible with integral human development, leadership personalities have - apart from resigned accommodation to false structures (loyalty) - a number of other options including the possibility to actively advocate a change in the existing framework conditions (voice) and, lastly, the possibility of "exit".[54] This calls for the personal courage to live with the consequences - for characterful personalities a bearable burden.

Pat Werhane's plea for the use of *moral imagination* is also of outstanding importance for sustainable management:

> "All reality is socially structured. All experience is interpreted or constituted by a conceptual scheme and an overlapping set of incomplete mental models through which we selectively frame, order, organize, and interpret the data of experience. Each of us functions through a set of mental models that are socially learned, culturally inculcated, educationally reinforced and experientially altered. (…) We are born into a particular historical tradition, and we find ourselves part of religious, social and cultural traditions embedded in a language. We do not choose these traditions and narratives, nor can we always escape them."[55] (…) The existence of some narrow-minded decision making, or the dominance of strongly differentiated role responsibilities, does not morally excuse misbehavior or the occurrence of untoward consequences that could have been avoided. Second, because mental models and narratives are incomplete and overlap, human choices are not merely context-determined. (…)

A developed moral imagination gives managers means to disengage themselves from a particular situation, from its narrative, from their roles, and from a dominating

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53   Donaldson Th. and Dunfee, Th. W. (1999): 83 ff.

54   Hirschman A. O. (1970).

55   Werhane P. (1999) P.12.

conceptual scheme. Moral imagination enables one to assess one's situation, to evaluate present and new possibilities, and to create decisions that are not parochially embedded in a restricted context or confined to a certain point of view. Without moral imagination, mistakes are reiterated." [56]

At the beginning of the book "The Sane Society" Erich Fromm quotes a passage from Léon Blum with which I would like to conclude this essay:[57]

"The human race had the wisdom to create science and art; why should it not be capable to create a world of justice, brotherliness and peace? The human race has produced Plato, Homer, Shakespeare and Hugo, Michelangelo and Beethoven, Pascal and Newton, all these human heroes whose genius is only the contact with the fundamental truths, with the innermost essence of the universe. Why then should the same race not produce those leaders capable of leading it to those forms of communal life which are closest to the lives and the harmony of the universe?"

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56   Werhane P. (1999) P.13.
57   Léon Blum, quoted in: Fromm, E.(1955/1963): xiv.

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