How can we build solidarity in and through business?

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It’s not by chance that The Napa Institute partnered with us for this conference. Some of you know this, some don’t: The Catholic University of America is the only pontifical university in the United States. We’re the only university chartered by a pope and the only university owned directly by the Church in the US. We are the Church’s university in the United States, so our business school is the Church’s business school, the Pope’s business school in America. It is our mission to answer questions like the ones being addressed at this conference.

Yesterday Prof. Hittinger said that the “vocation to business is at the center of our post-utopian world”—because business touches on all the most important institutions of society: matrimony, polity, and church. The question I am going to address is now is how, therefore do we build solidarity in our businesses, and, through our businesses, in the rest of society? Solidarity, according to St. John Paul II, is the “firm and persevering determination to commit oneself to the common good,” or, as Prof. Pakaluk put it earlier today “unity arising from fraternal charity.” This unity, solidarity, is of course a good thing in itself, indeed a very good thing. But it is also instrumentally good for business—it’s useful and practical. There is ample empirical evidence for this.

Decade after decade we get a new book based on extensive research of successful companies, showing that being good to people is good for business: Peters and Waterman’s *In Search of Excellence*, 1982; Collins and Porras’ *Built to
It’s worth contrasting business with other human, social enterprises. Public confidence in big business is indeed low, at 19% of respondents who have a great deal or quite a lot of confidence. Confidence in small business, though, is 62%. But compared with other institutions, it turns out that the only institution that has greater confidence than small business is the military. Every other group doesn’t do so well. And even big business is ahead of TV news and Congress. To paraphrase Winston Churchill, it seems that business is the most unethical type of organization—except for all the others. That said, we certainly want to do better.

So what gets in the way of more widespread practice of solidarity in business? There are two things I want to highlight here. The first is bad theory. Business and economics theory, by conceptualizing human persons as amoral, utility-maximizers, actually leads us astray. Several studies suggest that being a student of economics makes you more selfish. Indeed economics professors themselves appear to have a significantly lower rate of charitable giving than professors in other disciplines.

And an important paper by the late Prof. Sumantra Ghoshal of London Business School argued that “bad management theories are destroying good management practices.” Amorality and utility maximization are just simplifying assumptions, we are told, but, Dr. Ghoshal argued, these assumptions become self-fulfilling prophecies. Business students come to think: well, I guess that’s how I’m supposed to behave.

The second thing that gets in the way of more widespread solidarity in business is the idea of ethics as compliance, as a checklist. This is a very common view, taught in most business schools—ethics is something you do separately from your day to day activity—it is a check on your activity, instead of the way you behave all the time.
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A good example of this is the B-Corp, or Benefit Corporation, movement. A B-Corporation is one that is certified to be following rigorous social and environmental standards. It’s an interesting idea, and arguably a good thing in itself, to have a type of corporation that is explicitly focused on benefiting society. I do have two concerns with it, though. First, that it suggests that all other corporations are not benefiting society. This is problematic, because all firms, if run properly, contribute to society—so long as they produce “goods that are truly good, and services that truly serve” as Cardinal Turkson explained yesterday. My second concern is what defines you as a B-Corporation. It’s a checklist.

The answer is yes. One of the great advances in contemporary psychology has been the growth of the field of “positive psychology,” led by Prof. Martin Seligman at U. Penn, and his collaborators. Positive psychology focuses on human well-being, and has discovered, or should we say rediscovered, the idea of virtue and its importance for human flourishing, for human happiness.

As part of this work, scholars have developed survey methodologies for measuring different virtues, and they’re presented in the Oxford Handbook of Character Strengths and Virtues. So we can measure success in growth in virtue.

How then do you foster virtue in organizations? Hire virtuous people. Reward them for being virtuous. Tell them every day that you expect them to be virtuous. It’s simple enough, on the face of it. Hiring, coaching, and leadership are indeed important. But the real question is how do you do each of these in a fallen, complicated, and competitive world. Let’s think of these as three pillars, and look at each.

And the thing about a checklist is it promotes a checklist mentality. The things on the checklist can be very meritorious: so it includes do you have employee ownership, what’s the ratio of CEO salary to front line salary, and so on, but it can promote the idea that the main thing is to check the boxes. What we need is not a checklist, influenced by whatever political correctness of the day. What we need is the idea of virtue. Ethics should not be something added to our work, or a constraint on our work. It should be the way we work—the way we are at work.

As Prof. Kennedy told us yesterday, quoting Aristotle, virtue is a habit: Virtue is a habit that makes a person good, and makes what that person does good also. Virtue is a good habit. Vices are bad habits. The collection of virtues, or vices, that a person has, is their character.

It seems to me that this is foundational: if you want solidarity in business, you need virtue—solidarity presupposes virtue, as Prof. Pakaluk said. Solidarity needs an organization of people who practice virtue, who work, and live, virtuously. So how do we foster virtue in organizations? And how do we know we are fostering it? In particular, can you measure virtue?

FIRST PILLAR: HIRING

I’ll begin with hiring. If you only want to hire saints, I think you’re going to have a difficulty finding enough employees. So what you have to do is identify which virtues you’re not willing to compromise on, and then focus on this narrower set. For example, Southwest airlines has three core values: a warrior spirit—this would include the virtues of both courage and perseverance; a fun-loving attitude—they phrase this as “take your work seriously, but don’t take yourself seriously” (I think they’re talking about the virtue of humility here); and a “servant’s heart”—or the virtue of charity. They do not compromise on these. They tell a story of a pilot who was being interviewed for a job there. The pilot was very qualified—indeed, on paper, one of the most qualified pilots they’d ever interviewed. But on the way to his
interview he was rude to one of the Southwest customer service reps. And then at headquarters he was also rude to the receptionist. So they didn’t hire him.

They’ve built an entire company on these three values, one that is the most financially successful airline ever. But here’s one statistic I like. Total number of layoffs from Southwest in their 43 years of operation: Zero. They really live these virtues. They believe that laying off people is inconsistent with a Servant’s Heart, so they don’t do it. So hiring for a specific set of virtues is the first pillar.

THE SECOND PILLAR: EMPLOYEE COACHING AND EVALUATION

You want to encourage employees to develop not just their skills—their intellectual virtues—but also their moral virtues.

My example here is Koch Industries, who provide a great example of employee evaluation based on virtue. At Koch industries, they make a distinction between talents and virtues—approximately, though not quite the same as, our distinction between intellectual and moral virtues. They evaluate all employees on both of these, on a 2x2 matrix. For talents, they distinguish between being below expectations for the skills specific to each role, and for Virtues, they look for behavior that is consistent with their core principles. So they want all employees not only to have the skills and knowledge specific to their roles, but also to live the core values.

THE THIRD PILLAR: LEADERSHIP

The key thing is here the leaders must be practicing and modeling the virtues themselves. As Prof. Pakaluk mentioned: not just serving them food, but eating with them. I find useful, here, the model for leadership developed by Dick Lyles and his collaborators, called Leadership in Context. Some of you may know Dick; he’s the host of the Catholic Business Hour on EWTN radio. His leadership model, published in his book, Achieving Leadership Genius, is the most sound, research-based theory of leadership I’ve seen. The central insight is that successful leadership is based on the context that you’re leading in: whether you’re leading one other person, a team, a whole organization, or an alliance of organizations—or just yourself. And “self-leadership” is the starting point for all others—so as leader you have to practice the virtues yourself.

These then are the three pillars: hire for a specific set of virtues; coach and evaluate based on both skills and virtues, lead by modeling the virtues. How do we put this all together? I will share with you a couple of case studies using virtue for corporate change. The first is a company that some of you might know. US Inspect is the leading home inspection company for corporate relocation. It was founded by Keith Fimian, member of Legatus. What they did was they surveyed all their employees and asked them each to list the top three employee attributes that most contributed to the company’s success. When they collected and analyzed these, they came up with the top five attributes—effectively the core virtues required for their company’s success. In their case they were diligence, dependability, charity, honesty, and knowledge. (Of course these are going to be different for different companies).
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A particular virtue would be applied in that department, and then the whole company practiced each virtue for two months, all at the same time. They also monitored a number of key metrics. Employee turnover declined from 20%, fairly standard for the industry, to 14% and then to 8%, while their number of claims dropped from 2.6% to below 1%. It’s a very effective approach, and one that pretty much any company can adopt. The initiative was led by Bill Bowman, who at the time was COO of US Inspect and now does consulting in this area; he’s also a research professor here in our school.

Another example is Alcoa, the Aluminum Company of America, the world’s largest aluminum manufacturer, and the major transformation that then CEO Paul O’Neill made some years ago, as told by Charles Duhigg in his book *The Power of Habit*. When he became the CEO, the company had hit hard times and rather lost its way. From being an industry leader, it was falling behind. Investors and analysts were keen to hear how he was going to fix the company, but they were somewhat surprised when he told them that his focus would be on safety.

Safety is of course very important. The manufacturing of aluminum is potentially very dangerous—with big equipment, heavy weights, and very high temperatures. But Alcoa actually already had the best safety record in the industry. In the current situation, the analysts expected him instead to focus on growing sales, cutting costs, improving the stock price. But no, he was going to focus on safety. O’Neill led the company through many important changes in their ways of operating, particularly on leadership and evaluation, and this resulted in a dramatic reduction in the number of plant accidents—very successful. On average, handling molten aluminum at Alcoa is now less dangerous than doing someone’s taxes (what’s so dangerous about doing taxes?! But that’s the point.) And along the way, something else happened: costs went down, quality improved, productivity shot up, and eventually the company’s stock price tripled.

What O’Neill knew was this, that while his various constituencies—employees, suppliers, investors, unions—disagreed about many things, safety was something everyone could agree on. And what he also knew was that the skills and habits—the virtues—that would be fostered in the efforts to improve Alcoa’s safety record could and would be used to improve everything else as well.

And so we have our three pillars, and on these we can build solidarity in business. But there’s one other important piece to this, that I am really starting to think is foundational—and that is faith, and specifically, religious faith. There is good solid research, from secular sources, that religious people are more ethical than nonreligious people. And when you dig behind long-term sustainable companies, based on virtue, there is often a strong, though quiet, presence of religion.

I’m not saying it’s everywhere, and that companies can’t succeed without it. Charles Koch himself is apparently atheist. But many of his senior managers and employees are people of deep faith. The essential concepts of business like trust, freedom, and relationship—these have deeply theological dimensions, and it is impossible to really plumb their depths without a theological view.

Indeed, as the Second Vatican Council taught, “only in the mystery of the incarnate Word does the mystery of man take on light” (*Gaudium et Spes*, #22). It doesn’t say, “Except in business.”

At the beginning of his apostolic exhortation *Evangelii Gaudium*, Pope Francis wrote: “I invite all Christians, everywhere, at this very moment, to a renewed personal encounter with Jesus Christ.” All Christians, everywhere—even in business. And the very first line of the first encyclical of St. John Paul II: “Jesus Christ is the center of the universe and of history.” The center of everything, including business.

“Solidarity needs an organization of people who practice virtue, who work, and live, virtuously.”
We have this pretense that somehow we have to hide our faith when we’re in the business world. But I think the time has come to be more open about this. Here in the U.S., it has already become clear that the fight for religious liberty is one that is relevant to business leader—the Hobby Lobby case in the Supreme Court made that clear. And the victory in that case, important as it was, was a slim one, 5:4. We need to show that religion in the marketplace is not just something that must be tolerated, but that is a strong, productive and humane influence.

All of the forgoing is of course still very preliminary, skimming the surface. You can think of it as a major re-search project that the School of Business and Economics at The Catholic University of America is taking on, and we’re just beginning. ★

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