



THE MORAL ORDER OF BUSINESS

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A R T I C L E I N F O

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A B S T R A C T

Moral principles remain essential for business policies, decisions and practices. There is a growing awareness among individuals and groups and not least among the very exponents of business that this sphere of human activity also stands in need of an ethical orientation. That not with standing some scholars of business have often refused moral considerations in the sphere of their science as an undue intrusion and usurpation. Business, it is affirmed is a science in its own right just as biology or medicine hence its fundamental task is to study the laws that permit the optimum combination of means for the maximizing of the output. In this task, business enjoys its own scientific autonomy and is independent of moral considerations. These forms of reasoning judge actions according to their concrete results rather than on the basis of moral principles. Such moral problems emerge when the sole criterion of action in business is thought to be the maximization of profit. In other words, some business leaders and stakeholders whether from self-centeredness, pride, greed or anxiety reduce the purpose of business solely to maximizing of profit, growing market share or to any other solely economic good. However, in our view, we maintain that the great objective of business has to be pursued in such a way that an important part of the business leaders' vocation is practicing ethical social principles while conducting the normal rhythms of the business world. This is meant to avoid leading a divided life whereby there is a split between one's faith and the daily business practice. In this regard, it would be inappropriate to divorce business from ethics since the broad objective of business is to be pursued in such a way that all people are enabled to live lives fit for human beings. It goes without saying that important business decisions have more than one dimension. That is, business decisions can have an operational dimension, legal dimension, financial dimension, psychological dimension, an accounting dimension, a marketing dimension and a human resource dimension. In the same token, business decisions should have an ethical dimension if at all it has to achieve its broad objectives and become more meaningful and relevant owing to the fact that the foundational ethical principles for business are respect for human dignity and the service of the common good. The objective of this study is to show why business decisions, policies and practices stand in need of an ethical orientation with a view to having a more holistic understanding of the broad objectives of business on the basis of a strong ethical fiber given that ethics demands more from us than any other reasonable body of laws.

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INTRODUCTION

Background to the Study

This study was elicited by the document published by the Pontifical Council for Justice and Peace titled *Vocation of the Business Leader: A Reflection* (2014). That document underscores the fact that "when business and market economies function properly and focus on serving the common good, they contribute greatly to the material and even spiritual

well-being of society". The document places emphasis on the fact that moral principles remain essential for business decisions, policies and practices in that the great objective of business has to be pursued in such a way that all people will be enabled to live lives fit for human beings.

However, some scholars of business maintain that business enjoys its own scientific autonomy just as economics and biology and therefore does not stand in need of ethical considerations. Yet what distinguishes business entrepreneurs from social entrepreneurs is the ethical quality of their motivation. In other words, ethics is the bedrock of social entrepreneurship. The primary aim of business entrepreneurs in contrast with social entrepreneurs is maximization of profit. However, profit is like food. This can lead us to ask the question as to whether human beings live to eat or eat to live.

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The most plausible answer is that we eat to live and not vice versa.

Statement of the Problem

Scholars of business have often refused moral or ethical considerations in the sphere of their science as an undue intrusion and usurpation. They are of the view that business is a science in its own right just as biology, economics and physics. In this regard, they maintain that business enjoys its own scientific autonomy just as other disciplines and is therefore independent of moral considerations. This position already presents a serious moral problem because it goes against the foundational ethical principles for business, namely, human dignity and the common good. Business placed in the service of the genuine needs of the people is the same as business placed in the service of the common good. The primary aim of business entrepreneurs in contrast with social entrepreneurs is maximization of profit. "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" (Benedict XVI, 2009). Profit is like food. An organism must eat, but that is not the overriding purpose of its existence.

It is therefore inappropriate to divorce business from ethics as some business scholars want us to believe for this would go against the broad objectives of business and in particular against the foundational ethical principles for business. Consequently, business practices, decisions and policies should not therefore be motivated solely by financial success. This therefore calls for the need to demystify the notion that the sole criterion for action in business is the maximization of the profit. There is need for a reappraisal of business practices, choices and decisions so that we can come up with a business paradigm that is based on sound ethical principles. In fact, the two very important virtues for business professionals are practical wisdom (sound judgment) and right relationships (justice).

This study therefore aims at shedding more light on the importance of moral considerations in business with a view of having a more holistic understanding of business as a complex enterprise. As such we cannot therefore reduce the purpose of business solely to maximizing of profit or to growing market share or to any other solely economic good because the broad objectives of business is to be pursued in such a way that all people are enabled to live lives fit for human beings.

Objectives of the Study

The study intends:

1. To highlight the broad objectives of business based on ethical social principles against the popular belief in our culture that the ultimate and basic purpose of business is the maximization of profit
2. To promote the recognition of moral problems in a business context
3. To shed light on the good business decisions, policies and practices that can foster the integral development of all business stakeholders and people
4. To justify why it is of paramount importance for business men and women to balance the demands of

the business world with those of ethical social principles.

MATERIALS AND METHODS

Philosophical reflection can be brought to bear on any subject matter whatever. Every discipline raises questions which philosophical reflection can help clarify and every sphere of human existence confronts us with problems on which philosophical reflection can shed light owing to the fact that there is nothing in the universe that does not interest or concern philosophy. Philosophy is therefore interested in the subject matter of all disciplines given the vastness and the generality of its subject matter, business being one of the disciplines. That is why moral philosophers or ethicists insist on the fact that business also stands in need of ethical considerations. Since philosophical problems are logical and conceptual problems, they require conceptual and logical investigation. In this regard, this study used logical, systematic and analytical thinking coupled with cases from a literature review to elicit the meaning of the nature and the foundation of business practices, decisions and policies with a view to promoting the recognition of moral problems in the context of business by focusing on the foundational ethical principles of business. The methodology was based on a logical and critical analysis of the document by the Pontifical Council for Justice and Peace (2014) titled *Vocation of the Business Leader: A Reflection*. The analysis did not simply intend to highlight that important business decisions can have more than one dimension, namely legal, marketing, financial, accounting, operational or psychological dimension but also to lay emphasis that due regard should be given to an ethical dimension in business because it overrides other dimensions in that ethics deals with questions of morality, what is right and wrong in human relations since business has to do with a community of persons.

John Dewey struggled with the issue of defining a moral problem and supplied some insight into its intractability. He stated that "Every act has potential moral significance, because it is, through its consequences, part of a larger whole of behavior" (John Dewey, 1960). But he also noted that it would be rather morbid if a moral issue were raised in connection with each act. From time to time, the study coupled this logical thinking with a literature review to draw cases that supports answers to the following questions which are at the heart of the discussion: what kind of business practices, decisions and policies will foster the integral development of people? What are the broad objectives of business? What are the foundational ethical principles for business? What are the external and internal factors that influence business? Is it conceivable that the sole criterion of action in business is the maximization of profit?

The methodology entails seeing the world of business clearly, judging with principles that foster integral development of people for a people's development does not derive primarily from money, material assistance or technological means but from the formation of consciences and the gradual maturing of ways of thinking and patterns of behavior. This is to say that man is the principal agent of development, not money or technology. Lastly the methodology entails acting in a way that implements these principles in the light of one's unique circumstances by trying to balance the demands of business

world and the daily business practice. In a nutshell it involves the famous method of seeing, judging and acting.

RESULTS AND DISCUSSION

There are quite a number of factors that affect or influence business activities. In order to be faithful to our method, we want first and foremost to examine clearly the situation of the business world and the demands of the business world and see how there are moral problems in the context of business when it comes to the balance between the demands of business and the daily business practice of business leaders and all business stakeholders. In the document of the Pontifical Council for Justice and Peace (2014), titled *Vocation of the Business Leader: A Reflection*, four factors influencing business activities are addressed, namely globalization, new communication technologies, financialisation of the economy and cultural changes particularly the challenge of individualism and the accompanying moral systems of relativism and utilitarianism which in their view present the greatest dangers to Christian business leaders.

One of the factors that influences business is Globalization. The document of the Pontifical Council for justice and peace (2014) talks of the rise of a single global economic order as one of the distinguishing features of our age, i.e. globalization. The term ‘globalisation’ “points to a worldwide process of intensification of the movement of both outputs and inputs, especially labor and capital, bringing with it a growing web of social interconnection” (no. 18). This is to say that the market for businesses around the world has significantly expanded with the end of cold war and the opening of many markets resulting into new opportunities and new threats. Those who were previously from the world economic system can now participate and benefit from it. Greater efficiencies have made more products and services affordable for more people.

Pope Francis has addressed two significant concerns in his Apostolic Exhortation, *Evangelii Gaudium*, namely rising inequalities and threats to culture. He writes: “Greater world output has been accompanied by greater inequality in the distribution of income and wealth, both within countries and between them” (Pope Francis, 2013). He points out that regional economic zones, with free movement of goods and even single currencies, encourage trade and stimulate innovation. However, he claims they are not always accompanied by equally free possibilities for the movement of working people in search of employment. In his view, this promotes the economy of exclusion and inequality by referring to the globalisation of indifference. Secondly he also addresses the question of cultural threats. He writes: “In many countries globalisation has meant a hastened deterioration of their own cultural roots and the invasion of ways of thinking and acting proper to other cultures which are economically advanced but ethically debilitated” (Pope Francis, 2013). He maintains that aggressive competition and the global marketing of standardized products can lead to cultural imperialism and loss of diversity. This in his view has resulted into a fundamental reality in that capital has acquired new freedom in such a way that no longer does it have to account to the people in the countries where its profits are made. Globalisation thus is modifying the foundations of the economy and the polity, reducing the degrees of freedom of nation-states. Businesses thus have become much more influential than previously in

this changed context of a globalized economy and eventually carries the potential for great good or harm.

Another factor that also influences business is the communication technology. The revolution of communication technology brought about by internet has had significant positive and negative effects upon business management. On the one hand, internet-based collaboration is developing new products and solutions to age-old problems in such a way that such products and solutions have reduced the costs for people to connect globally. Besides, consumer/stakeholder groups are empowered to apply pressure on global businesses and highlight poor practices in issues ranging from respect for human rights to environmental protection in poorer parts of the world. On the other hand, we now live in a world of instant gratification and an overabundance of information. As is commonly noted in such a world, ‘the urgent can drive out the important’. In other words, every message becomes a priority when instant communication insists on our attention so much so that we seem to have no time for well-studied and thoughtful decisions on complex matters. This is to say that important business decisions are increasingly made without adequate consideration and with too little shared information.

Owing to this difficulty in preparing and explaining decisions, business leaders rely on their experience. In this regard, their personal values and beliefs become even more critical in framing their decision –making. Yet moral judgements about the rightness and wrongness of our actions should apply universally to all persons. In his work, *Business Ethics*, DeGeorge identifies three characteristics associated with moral judgements (used to resolve moral problems). “First, moral judgements about the rightness or the wrongness of an action are held to be universally applicable. If it is right for me, it is also right for everyone else in the same circumstances Second, moral judgements are important. They are so important in fact, that they override other considerations. We are morally bound to do what we sometime may not want to do... Third, moral praise can properly accompany the doing of morally right actions and moral blame can properly accompany acting immorally” (DeGeorge, 1999)

The third factor that also influences business is the financialisation of the economy. The combination of globalization with its expansion of markets and earnings and new communication technologies has brought the financial sector to great prominence in business. By financialisation, we mean the shift in the capital economy from production to finance. However, the recent financial crisis has resulted into a wave of criticisms of the negative effects of financialisation. That notwithstanding, the financial sector has also given millions of people easier access to credit for consumption and production. In his encyclical letter *Caritas in Veritate*, Pope Benedict XVI points out that ethical investment is 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” (Benedict XVI, 2009).

In spite of the positive developments brought about by financialisation, it has also contributed to a whole assortment of negative trends and consequences, namely commoditization and short-termism. This is to say that financialisation has

completely tended to commoditize businesses by reducing the meaning of this human enterprise to nothing but a price. In particular, the financial sector has contributed significantly to this commoditizing trend by equating the purpose of business to shareholder wealth maximization. In other words, shareholder value has become virtually the sole criterion by which business leaders determine their performance and their worth. In this regard, the call to “maximize shareholder wealth” remains dominant and is the leading theory taught in many business schools.

Besides, we also have short-term mentalities under which leaders are tempted to become fixated on the upside potential for short-term success and to downplay the consequences of excessive risk-taking and strategic failure. It is therefore not surprising that the opportunity to acquire enormous wealth in relatively short timeframes provides a strong incentive for dysfunctional behavior. With regard to such dangers, Pope Benedict XVI 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... It is becoming increasingly rare for business 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” (Benedict XVI, 2009). He goes on to say that the proper function of business is that of service and as a sphere of human activity, it stands in need of an ethical orientation. In his work *Christian Ethics: Moral Theology in the Light of Vatican II*, Vol. II, Karl H. Peschke writes: “The proper function of the economy is one of service. And it is here that moral evaluations come into play” (Karl H. Peschke, 2004).

The fourth factor that influences business is cultural changes. As it has already been pointed out, the impact of new levels of contact between nations through globalization and between individuals through technology has led to cultural change. For the Christian business leader, two related key cultural changes have been the turn to individualism in the west and the higher family breakdown than in the past. In addition to a strongly utilitarian view of economics and even of society, whole populations are encouraged to focus on achieving ‘what works for me’, independently of effects on others, with results that have negative impact on family life, values are seen as relative, measured by their contribution to individual preferences and business gains.

For economic liberalism, the maximization of profit is even the supreme goal of efficient management. “Economics has to teach the methods and laws to attain this goal, and this—according to liberal capitalism—free from the interference of moral values” (Karl H. Peschke, 2004). In other words, a value-free science of economics is proclaimed. As has already been noted, their value system is that of a utilitarian ethics. “The maximization of profit as the highest criterion does not provide a barrier against the production of harmful products or of noxious commodities. It is not in a condition to secure a just wage if there is an excessive offer of work. It does not know boundaries against the destructive exploitation of the environment” (Karl H. Peschke, 2004).

The church and many others with her has rejected the theorem that the fundamental purpose of economic activity should be ‘profit or prestige’. “Even though an economic enterprise must work profitably in order to survive and develop and even

though the striving after a reasonable profit remains legitimate, profit can only be a secondary purpose in economic enterprise. Were it to be a primary purpose, this would inevitably bring many abuses and injustices in its train as proven by ample experience” (Karl H. Peschke, 2004). An example of such an abuse is the scandals of 1988 surrounding the dumping of toxic wastes from Europe in African countries which are not equipped to cope with them—pressured by financial needs—at times for the ridiculous price of 2.5 pounds per ton. Some of the wastes are highly poisonous to humans and nature and would require enormous sums to neutralize them. The export of hazardous wastes into developing countries has meantime been proscribed by the ‘Basel convention’, published in the *official journal of the European community* of 16.2.1993, no. L39/1/ft).

In a nutshell, it is to be retained that the objective of economy does not consist in mere profitability nor in the maximization of the social product or of the always greater material welfare of as many people as possible. All these are criteria of a utilitarian ethics as it has been already pointed out which cannot withstand a careful scrutiny in the light of demands of universal justice. All these trends however, need to be guided by ethical social principles and sound cultural institutions. Without such a constant influence, they risk being detrimental to “integral human development” (Benedict XVI, 2009). This is where the catholic social teachings and our belief in God’s love can offer an authentic perspective enabling business leaders and all business stakeholders to fulfil their Christian calling.

The world of financial crisis sparked off in 2008 and is still on with a growing concentration of financial riches in the hands of fewer and fewer people is primarily an ethical crisis ever more aggravated by raging and overreaching corruption particularly in Africa. Consequently, without an ethical revolution, the overall panorama will not improve. This explains why the Christian social teaching of the church wants to bring our attention to the fact that a people’s development does not derive primarily from money, material assistance or technological means but from the formation of consciences and a gradual maturing of ways of thinking and patterns of behavior. This is due to the fact that ethical awareness is the necessary condition for human survival and flourishing. “Without a basic moral code that protects basic values, society itself is impossible” (Pojman L.P., 2006). In this regard, ethics demands more from us than any other reasonable body of laws for what is legal is not necessarily what is moral. Indeed, the society is safer with a moral code than with a legal one.

The Foundational Ethical Principles for Business

Having examined the situation of the business world in the first part of our discussion, it is now right and fitting to make moral judgments in the light of certain fundamental ethical principles. Our methodology as we have noted revolves around the idea of seeing the business situation, making moral judgments based on ethical social principles and finally acting on the basis of such principles. In our case, we shall highlight two fundamental ethical principles for business namely the respect for human dignity and the service of the common good.

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. 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*. "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" (Compendium of the Social Doctrine of the Church).

This idea was also echoed by Kant in his moral philosophy when he talked about three criteria or formulations of moral law as the absolute. One of the criteria or formulations of moral law as the absolute is the principle of humanity as an end, never as merely as a means. Regarding this principle, Kant writes: "Act so as to use humanity, whether in your own person or in the person of another, always as an end, never as merely a means" (Kant,). This principle has received more widespread approval than any other part of Kant's moral philosophy. People, as rational beings, are ends in themselves, and should never be used merely as means to other ends. We may use physical things as means, but when we use people simply as means, as in slavery, prostitution or commercial exploitation, we degrade them and violate their innermost beings as people.

This is to say that all human beings regardless of individual properties and circumstances enjoy this God-given dignity hence we talk about the fundamental equality and dignity of all human beings irrespective of their race, colour, religion, political affiliation etc. 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. This entails that each of us has a duty to avoid actions that impede the flourishing of others, and as far as possible, a duty to promote that flourishing, for "we are all really responsible for all" (John Paul II, 1987).

Going by the above position, we can therefore address the issue of ethical obligations and legal requirements. Ethics requires more of us than does any reasonable body of laws. It also calls on us to more than simply observe others' rights. Why should we in business or elsewhere do more than is demanded by the law or the rights of others? Kant gives us a plausible answer in this regard. Suppose I own a highly profitable real estate firm. If I make no charitable contributions in my community, I do not violate anyone's rights and I live within mine. Kant might say that although I am not using anyone merely as means- as I would if I employed untrained, unsuspecting people to remove asbestos from a building I am selling- I am also not treating fellow citizens as ends. I do nothing for their good (beyond what my taxes may do for them). I may defend my conduct by saying that their rights in the matter ends with requesting, as opposed to demanding my contributions. It is true that I have freedom rights to retain my profit and give nothing to my charity. But is doing so ethical? If I have no excuse, such as a sick child who needs expensive treatments, am I not criticizable as ethically deficient?

On any plausible virtue ethics, morality also calls for doing more than one must in order to avoid violating anyone's rights. Generosity is a virtue. So is beneficence, understood as the disposition to do good deeds toward others. Compassionate

caring which is stressed in many religious traditions and prominently in some say, in catholic social teaching and in some Hindu ethics, may also count as a virtue. These virtues would be unfulfilled by my retaining all my profits.

It should now be clear that ethics calls on us not only to do things the law does not require, but also to do things that no one else's rights require. Where no one has a right to our help, we may still properly believe we should give it. Indeed what principle would we want others to abide by if we suddenly had an accident but no one owed us assistance? As Kant would stress, a reasonable principle is that, within the limits of our powers and major commitments, we should render aid. Even if a business is enormous and is only a legal person, through its management it has agency and is subject to ethical standards. Even without idealization or the high standards a religion may bring to the operation of business, ethics calls on business to do more than is strictly required by either law or the rights of the persons and communities with which it deals. Moral behavior as defined by a given religion is usually believed essential to the religion's practice. But neither the practices nor precepts of morality should be identified with religion. In other words, the practice of morality need not be motivated by religious considerations.

As far as the moral rights of businesses is concerned, we can therefore say that the rights of business owners, then, are not absolute. We can talk of the kind of difference regarding rights that stem partly from the different democratic traditions. On the other side is the free market neoclassical economics famously represented by the economist Milton Friedman and many others. He says that in a 'free economy':

"There is one and only one social responsibility of business... to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud... Few trends could so thoroughly undermine the very foundations of our free society as the acceptance of corporate officials of a social responsibility other than to make as much money for their stockholders as possible" (Friedman, Milton, 1962). Yet as far as the rights and social responsibilities of business is concerned, it is of paramount importance to assert that although property rights are basic supports of capitalism, how far do they go for owners of a business? One might think that we have absolute rights over things we own- not only the power to use or sell them, but also the power to destroy them. This is not actually the case even though quite a number of people believe that should be the case. The truth of the matter is that I may have these powers regarding an old car. But my rights to my land do not extend to poisoning it with chemical wastes. Nor can I use my car to run down other people. Others' rights limit ours. This is to say that rights possess not absolute status but relative status. 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 and virtue. Earthly flourishing is an important element of a good human life. That is why we pointed out at the beginning that the great objective of business has to be pursued in such a way that all people will be enabled to live lives fit for human beings hence the view that moral principles remain essential for

business decisions, policies and practices. It would therefore be inappropriate to divorce business from ethics.

Honesty in business affairs is a realm that indeed often leaves much to be desired, but that is also a moral postulate. "Every effort must be made that the enterprise is indeed a true human community" (John XXIII, 1961). Reasons of profitability and cost-saving can never be made a pretext for ignoring the values of true humanity, which are the veritable ends of the economy. In actual sense, respect for these values even enhances profitability also. The success of an enterprise not least also depends on the satisfaction of the employees, on their perception of being taken seriously and on their feeling of being accepted. Just as we say that economy in the service of man and not man in the service of economy, we can also equally say that business in the service of man and not man in the service of business. In the same token, we can say the same thing with regard to the purpose of human work, namely work is for the person and not the person for work.

The Common Good: This is the second foundational ethical principle for business. 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 defines 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 fulfillment more fully and more easily". (Second Vatican Council, 1965) Common goods are developed between human beings whenever they act purposefully together towards a shared goal. 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 human beings to develop, individually and communally.

The definition of common good adds to the achievement of men's perfection and appointed ends, in as much as men have also the task to place themselves at the service of other people and of God's plan with the world. Two complementary aspects make up and pertain to the common good. "In ecclesiastical pronouncements 'common good' as *terminus technicus* is generally understood in the sense of service value". (O. von Nell-Breuning, 1980). As such it comprises such aids as schools, hospitals, social services, energy supply, road networks, the legal order etc. They constitute the one aspect of the common good. But progress must not be viewed too much in terms of institutions, organisations and techniques. "The common good ultimately consists in goods and values actualized in the members of society, and this is its other aspect". (Karl H. Peschke, 2004)

The functions of the common good are basically two. First it promotes and makes possible an integral human existence for its members. In the realization of this goal, a person is helped by different societies, which all have their own common good in order to assist their members in the attainment of full humanity. Second, the common good is to preclude antisocial impulses in human nature from interfering with the rights of

others and with the social order. In this regard, the purpose of economic activity is the same as the purpose of human work in the sense that work is for the person and not the person for work. In the same token, it is the constant teaching of Catholic social doctrine that the economy must be at the service of the person, and not vice versa the person at the service of economy. Vatican II declares: The ultimate and basic purpose of economic production must be "the service of man, of man, that is, in his totality, taking into account his material needs and the requirements of his intellectual, moral, spiritual and religious life; of all men whomsoever and of every group of men of whatever race or from whatever part of the world" (GS 64).

This is to say that an economy placed at the service of the genuine needs of people can be summed up as an economy placed at the service of the common good. All economic and business ventures, must in one way or another, contribute to the realization of this purpose as their superior goal. In his work, *Christin Ethics: Moral theology in the light of Vatican II*, Karl H. Peschke points out that the common good should be viewed not only in terms of the short-term benefits for the present generation, but also in the light of the future of society. Therefore, business or economic venture must also take into account the impact of its activity on the environment or on the health of the family.

The entrepreneur is therefore a servant of the common good in that many millions work in business undertakings, small and large, of their own. In the crises of industrial revolutions, the employer usually was and still considered the one primarily responsible for the social problematic. However, such a view does not do justice to the irreplaceable contribution of the entrepreneurs to the progress of the economy and the hard work required of them. The social problems of a developing society are always the result of several factors, of which the relentless profit seeking of some managers is only one.

St. Pope John Paul II has pointed out that "the degree of well-being which society today enjoys would be unthinkable without the dynamic figure of the business person, whose function consist of organizing human labour and the means of production so as to give rise to the goods and services necessary for the prosperity and progress of the community" (John Paul II, 1983). Out of all the qualities of successful social entrepreneurs, the most important in our view is strong ethical impetus. Social entrepreneurs observed the economist Joseph A. Schumpeter, are motivated not by profit but by a desire to found a private dynasty, the will to conquer in a competitive battle and the joy of creating. As we have earlier pointed out, what distinguishes business entrepreneurs from social entrepreneurs is the ethical quality of their motivation. Ethics therefore becomes the bedrock of social entrepreneurship. "It is meaningless to talk about social entrepreneurs without considering the ethical quality of their motivation" (Bornstein, David, 2007). He went on to say that in the end, business and social entrepreneurs are very much the same animals. They think about problems the same way. They ask the same types of questions. The difference is not in temperament or ability, but in the nature of their vision. In a question, does the entrepreneur dream of building the world's greatest running- shoe company or vaccinating all the world's children? A project only makes sense when it proves useful to

make people happier and the environment more respected and when it represents a hope for a better future. This is the soul of projects. Persistence and coherence are therefore virtues.

When people work together, they are powerful; there is friendship. In the end, there is peace, harmony, tranquility, optimism. If there is a deeply human motivation in all of these about money, I need money. "Money is very important to accomplish my projects. But money only matters if it helps to solve people's problems and to create the world I would like to live in" (Bornstein, David, 2007). Although it is probably impossible to explain why people become social entrepreneurs, it is certainly possible to identify them. And society stands to benefit by finding these people, encouraging them and helping them to do what they need to do. In his book, *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, Bornstein maintains that "one of the most important things that can be done to change the state of the world is to build a framework of social and economic support to multiply the number and the effectiveness of the world's social entrepreneurs" (Bornstein, David, 2007).

In this regard, social entrepreneurs are servants of the common good. According to the management expert Peter F. Drucker, the term "entrepreneur" (from the French meaning "one who takes into hand") was introduced two centuries ago by French economist Jean Baptist, say, to characterize a special economic actor, not someone who simply opens business, but someone who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. 20th century growth economist Joseph A. Schumpeter characterized the entrepreneur as the source of the "creative destruction" necessary for economic advances. Social entrepreneurs play analogous roles in education, healthcare, environmental protection, disability and many other fields.

In the document, *Vocation of the Business Leader: A Reflection* (2014), the Pontifical Council for Justice and Peace pointed out that businesses are essential to the common good of every society and to the whole global order and that they contribute best when their activities are allowed to be oriented toward, and to be fully respectful of, the dignity of people as ends in themselves with moral and religious freedom- people who are intelligent, free and social. The documents highlights the idea that it is not only upon sound government that business depends in that 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. Besides, benefitting from the resources society makes available, business and commercial activities in turn, conduct themselves so as to respect and sustain the common good.

The document further underscores that businesses support the well-being of members of society through their other key functions and that a good business carefully avoids any actions that undermine the local or global 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 regional, national or international level. For instance, 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.

Practical Ethical Principles for Business

In the Document, *Vocation of the Business Leader: A Reflection* (2014), the Pontifical Council for Justice and Peace draws our attention to the fact that in a market system, "respect for human dignity and the common good are foundational principles that should inform the way we organize the labour and capital employed and our processes of innovation". This is to say that the main purpose of individual businesses and commercial systems is to address real human needs, i.e. the relevant needs of everyone who is served in some way by a business. The document addresses three interdependent activities that businesses should take up. Firstly it talks about addressing genuine human needs through the creation, development and production of goods and services. Secondly, it pinpoints the idea of organizing good and productive work and thirdly it talks of using resources to create and to share wealth and prosperity in sustainable ways.

The Catholic Social doctrine addresses the three interdependent spheres of activity by providing practical principles to help guide decision-makers in the good they may do. Building on the foundational principles, the above mentioned practical principles aim to respect the multi-cultural and multi-faith situations that are characteristic of business environment today. Besides, the practical principles help clarify the vocation of the Christian business person and the role of a true business leader.

Let us begin with the first practical principle of meeting the needs of the world through goods and services. The document points out that "successful businesses identify and seek to address genuine human needs at a superior level of excellence, using a great deal of innovation, creativity and initiative. They produce what has been produced before but often- in the Arenas of medicine, communication, credit, food production, energy, and welfare provision- they invent entirely new ways of meeting human needs". This is done by incrementally improving their products and services, which where they are genuinely good, improve the quality of people's lives.

In contributing to the common good, The Compendium of the Social Doctrine of the Church puts it: "Businesses should be characterized by their capacity to serve the common good of society through the production of useful goods and services". This is to say that business is inherently other-centred: a business joins together people's gifts, talents, energies and skills to serve the needs of others. This 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. Besides, the business leader is not a speculator, but essentially an innovator. The speculator makes it his goal to maximize 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. The speculator is not the model of business leader from the moral point of view. The document goes further to point out that the Christian business leader serves the common good by creating goods that are truly good and services that truly serve. The goods and services that businesses produce should meet

authentic human needs., They include not only things with clear social value- such as lifesaving medical devices, microfinance, education, social investment, fair trade products, health care or affordable housing but also anything that genuinely contributes to human development and fulfilment such as waste removal, roads and transportation.

In his encyclical letter *Quadragesimo Anno*, Pope Pius XI spoke of the importance of business “producing really useful goods” for others. He wrote:

The good entrepreneur is one who “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” (Pius XI, 1931).

In that encyclical letter, Pope Pius XI emphasized the idea that needs ought to be contrasted with mere wants, which might be characterized as those desires that are not essential to human well-being. In extreme cases, satisfying mere wants may 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.

The second practical ethical principle as we have already stated has to do with organizing good and productive work. Businesses create goods and services and organize the work people do together. The way human work is designed and managed has a significant impact on whether an organization can compete in the marketplace and whether people will flourish through their work. In his Encyclical letter, *Centesimus Annus*, Pope John Paul II wrote: 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 organization, as well as his ability to perceive the needs of others and to satisfy them” (John Paul II, 1991). With increasing globalization and changing marketplace, the farsighted organization of work assures an organization’s agility, responsiveness and dynamism. This may be expedited where sensible regulations ensure that economic relations and mentalities can develop in a sustainable way and that virtuous businesses can effectively profit and excel through their achievements. This should be geared towards fostering dignified work. The grandeur of human work not only leads to improved products and services, but also develops the workers themselves.

The Catholic social tradition has been particularly outspoken about the nature of work and how it affects the person. St. John Paul II spoke of “the subjective dimension of work”, distinguishing it from its “objective dimension”, 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 of executive, farmers, nurses, trade people, 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” (John Paul II, 1981). This will lead to a joint commitment from both the employer and the employee to elevate work to that splendid vision. It is the union of sound business practice and ethics.

By recognizing the subjective dimension of work, it enables us to see that work is for the person and not the other way round. In this regard, employees are not mere “human resources” or “human capital”. As a consequence, 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; it promotes social relationships and real collaboration and it does not damage the health and physical well-being of the worker, let alone spiritual well-being and religious freedom. In the encyclical letter *Mater et Magistra*, St. John the XXIII wrote: “if the whole structure and organization 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” (John XXIII, 1961)

The third practical ethical principle for business is using resources to create and share wealth and prosperity in sustainable ways. Entrepreneurs exercise their creativity to organize 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 realized, the resulting wealth is shared with investors, and everyone involved excels. The legitimate role of profit as an indicator that a business is functioning well should be acknowledged. 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.

Just as 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” (Benedict XVI, 2009).

Besides, there is need for a just distribution of the wealth. In the *Compendium of the Social Doctrine of the Church*, the pontifical council for justice and peace wrote: “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 as just wage), customers

(just prices), owners (just returns), suppliers (just prices) and the community (just tax payments).” It is of paramount importance to take cognizance of the fact that God’s creation is intended for everyone—rich and poor, powerful and weak, now and in the future. This would mean that resources are conferred on mankind with a “social mortgage”. Goods are therefore meant for everyone. This principle urges business leaders to consider the distributive effect of the way they set prices, allocate wages, share ownership, distribute dividends, manage payables etc. Their decision should aim not at *equal*, but at a *just* distribution of wealth, which meets people’s needs, rewards their contributions and risks and preserves and promotes the organization’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.

CONCLUSION

We have therefore stressed the need for a union of sound business practice with ethics so that we can come up with a more comprehensive understanding of the broader objectives of business by focusing on the dignity of the human person and the common good so much so that in the long run we can say that a person is for business and not the other way round. This implies that a person becomes the centre of attention in the sense that businesses must be pursued in such a way that all will be enabled to live lives fit for human beings, to live a dignified life as human beings.

This has been done by shedding light on the practical ethical principles for business. Firstly by emphasizing the need of producing genuine goods and services that truly serve and making a very clear cut distinction between needs and wants. Secondly, we have also pointed out the need for fostering dignified work by placing emphasis on the subjective dimension of work as opposed to the objective dimension of work, the worker, the subject of work can be greatly affected by his or her work. And because work changes a person, it can enhance or suppress that person’s dignity, it can allow a person to develop or be damaged hence the sources of the dignity of work are to be sought primarily in the subjective dimension and not in the objective sphere.

Last but not least, we have also examined the need for the creation of sustainable well and distributing it just or equitably. Indeed ethical social principles, provide the direction for good businesses but the navigation falls to the seasoned and intelligent judgements of virtuous business leaders who can wisely manage complexity and tensions arising in particular cases. Man therefore becomes the principal agent of development. Consequently, a people’s development is not primarily derived from money, material assistance or technological means but through the formation of consciences and a gradual maturing of ways of thinking and patterns of behavior. Ethical reflection therefore illuminates an individual sense of right. As one ethicist once said in all of the world and in all of life, there is nothing more important to determine than what is right. Ethical awareness is therefore the necessary condition for human survival and flourishing. In this regard, it is therefore inappropriate to divorce business from ethics.

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