



## **A Blueprint for better business?**

*Uniting corporate purpose and personal values to serve society*

**18<sup>th</sup> September 2012**

### **Address by Archbishop Nichols**

Reflecting on the continuing debate about the problems and misjudgements by some in our business sector, I found myself drawn to an image from the Greek philosopher Plato. His allegory of the human soul is of a chariot driven by two winged horses. The horses are not natural allies but have to be drawn to work together if the chariot is to speed forward on the road. That is the charioteer's task. And, when the allegory is applied to business, as I will suggest, you are that charioteer.

In Plato's allegory one horse - black in colour - represents our deep but irrational desires and appetites – energising, but liable to go out of control. The other horse, which is white, represents other desires such as courage, creativity and sense of higher purpose. The charioteer is reason personified. His is the task of keeping both horses in check and working together. The white horse is amenable to argument and debate. The black horse sometimes needs the whip.

So let us compare a business as such a chariot. Let the black horse represent the desire for profit maximisation. And the white horse represents the social purpose of good business: the desire to provide meaningful work and useful goods or services, operating in a principled way. The charioteers are the business or team leaders. Their role is to keep these two sources of energy and drive in harness, obeying the rules of the road, striving towards the long-term goal of creating sustainable social and economic progress.

Both horses are essential if, on the one hand, the business is to be dynamic and profitable and, on the other, it is to inspire trust and respect, attracting loyalty from customers, workers and society. Led by the black horse alone, the business chariot seeks profit without wider purpose which, as we have heard recently, is an extremely hazardous road to follow. Led by the white horse alone, the chariot can easily become bogged down in a quagmire of worthy but unprofitable activities.

The art of the business leader is to find a route the chariot can take within the constraints of the highway, retaining competitive edge against other chariots, with both horses are at full stretch, yet firmly under control, pulling in the same direction.



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essential, especially when times are tough. But without the white horse, the single-minded pursuit of profit for its own sake alone can pull the chariot off the road, as we have been hearing. It ultimately results in a build-up of mistrust and an eventual backlash from a disillusioned workforce, discontented customers and suppliers and a vengeful public opinion. And then profit goes too.

So the white horse is crucial in representing the core identity of the business: what it exists to do through the goods and services it provides, the employment it creates, the communities it serves. Keeping the core business in focus is especially important when things are difficult. Doing so doesn't settle difficult business decisions, but identifies the tension which exists and the need for wise and reasoned leadership. The white horse is also a reminder that it is society as well as markets that determine whether a business is ultimately successful.

In 2009 and 2010 I convened two private seminars for leaders in the financial sector in the City. Following these a number of the participants with others wrote a letter published by the Financial Times in August 2010. The letter explicitly criticised those in the financial sector for an approach to business that, in our Platonic analogy, put the black horse in sole charge:

*"If the only question is, "Is it legal and profitable?", then all that matters is that what is done complies with the regulations in force and makes a profit for the seller and the institution they represent. At its most extreme this philosophy ....legitimizes exploitation and in the end subverts the very basis of trust in the market on which all profitable activity depends."*

Quite rightly there are many in the City and beyond who are still deeply concerned to retain the trust of their customers and to regain the trust of the public. But the first question the now highly sceptical public will rightly ask, of you and me, is "why should we trust you?" If the sole motivation is to make as much money as possible out of each situation, the project of restoring trust will fail, and so it should. For any business to retain the implicit licence to operate given by society in the long term, the primary motivation must be, and be seen to be, the desire to provide goods that are truly good, and services that truly serve people. This, it seems to me, is the scale of the challenge the financial sector in particular, and the business world in general, is facing.

So what then is to be done? It is striking that the language of ethics and integrity, of oaths and codes, has recently come into vogue. There is, as they say, a powerful "business case" for more social responsibility and ethics in business. But this must involve more than a change in language.

After all, the introduction of the language of corporate social responsibility – important and transformative as it has been for many companies - has also in some circumstances been



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exercise which did not touch the core business and the drive to maximise profit. The use of these languages can be very easily subverted and colonised. We need to avoid a situation where suddenly it all sounds wonderful but nothing really changes. I know this all too well.

How do we avoid that trap? First of all by having the courage to recognise the depth of the moral problem we face. In an excellent recent article in The Times, copies of which you have in your papers for today's conference, the Chief Rabbi points out that law and regulation can never be a substitute for morality. He writes that we "are reaching the endgame of a great experiment that didn't work: society's attempt to live without a shared moral code". Lord Sacks rightly says we are all more likely to bend the rules than we like to think, and we all need regular consistent reminders of what is right and wrong. The system of rewards, incentives and pressures simply to achieve short term goals exacerbates the problem. He notes that trust "depends on virtues of self-restraint, embedded in a culture, embodied by its leaders and embraced by individuals. Until morality returns to the market we will continue to pay a heavy price".

So this suggests that the problem is not confined by any means to the world of business. But the world of business is in a position to give a practical lead out of it.

Many excellent trusted businesses have always understood this, and have sought to set and reinforce the highest expectations of behaviour. But the prevailing culture and especially the relentless focus on short term profitability makes this difficult. When businesses see themselves as set apart in some way, free to create their own value system divided from the rest of life, then they are liable to do most harm. Then there appears, for instance, an unhealthy focus on power or reward, or an expectation of overwork to the cost of family or spiritual life. This fosters a sense of living an unhealthy "divided life", in which we leave the better part of our values and ideals at home when we go to work. If much that is best in me, apart from a competitive spirit, is left at the doorway of my professional life, then the enterprise loses, and so does society.

Those business leaders who invited me to take today's initiative did so because they felt there was a contribution faith could make. There is; and I will be outlining my thoughts in a moment. Our society is looking for a new narrative for the place of business. Fresh approaches are called for and clearly needed. This is itself evidence of the divided lives we all lead, with dialogue and debate often taking place in entirely separate spheres. A fresh examination of the social purpose of business – the language of the white horse – alongside profitability, is fundamental to opening up a common basis of dialogue about the place of business at the service of the common good, and the human values needed to deliver that purpose in practical ways. There is tremendous potential here to find ways in which



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bringing out the best in people by making the most of their full human capacities. This requires the participation and engagement of many civil institutions existing separately from the market. It is here that I see a contribution can be made by faith communities, and where the framework known as Catholic Social Teaching offers principles that can help us reflect on how to unite corporate purpose and personal values to serve society. The insights of Catholic Social Teaching, for what they are worth, come completely free. They reflect basic moral values and principles to which each of us, personally and within the organisations we represent, can usefully employ in reflecting on our conduct.

A starting point, essential to such reflection, is to stand back from the business agenda completely and look at the fundamentals. There are two foundational ethical principles: the innate dignity and value of every human person, and the principle of the common good. For Christians human dignity is rooted in the idea that we are all made in the image and likeness of God. It is echoed in the universal moral intuition is that each person can never be merely an instrument valued just for their usefulness. Everyone is a “who not a what; a someone, not a something”. Every person matters, and it follows from this we have duties to respect others and promote their own fulfilment.

Part of this dignity is the fact that we are also relational beings, formed in our personalities by those around us since infancy. We not only have individual goals but participate in joint or common projects. When people come together to pursue a shared goal they create common goods – such as a friendship, a family, or a business. We are not innately selfish beings, even if some wish to propose that we are. This wider common good is understood in Catholic Social Teaching to be the set of social conditions which allow people more easily to develop, individually and communally.

Businesses contribute to building up this wider common good through their products and services, the jobs they create and the economic and social surplus they provide. But they can undermine it if the black horse is given sole charge of the business chariot through strategies which exploit people, or destroy the natural environment.

Attending to human dignity and to the common good provides a powerful lens for examining business decisions. It forces people to look at the human dimension, and to ask how a decision will affect the dignity, respect and potential for development of those people affected. Think of the businesses that you trust. Do they develop and reward their workers fairly across all levels? What values and behaviour do they actually reward? Do they meet customers’ genuine needs for a useful product and for the information to make a genuine choice? Are they transparent in their dealings with suppliers of goods and credit, investors and advisers? Do they spell out their purpose beyond profit, and how the business achieves social outcomes?



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use at the service of society is crucial to achieving change. Let's consider the savings industry for example, where the investment business chariot too can be dominated by profit seeking alone. The savings industry - investment businesses –have the skills to both produce the financial return that their customers expect and also to encourage businesses that are clearly purpose driven with strong core values, willing to be held accountable also for how they help create the society in which their customers would wish to live. The savings pool in the UK represents the accumulated savings and pensions of hard working people. Is it invested in a way that best serves the UK common good? Could more be done by investment businesses and investors generally to bring together long term social and financial returns? – the white horse and the black horse of investment? (I am of course not making any point here about Lloyds!) Focussing on purpose re-sets the challenge for all businesses in terms of promoting the common good.

On the basis of human dignity and the common good, the framework of Catholic Social Teaching then goes a step further. It brings in two other ideas: solidarity and subsidiarity. Solidarity is a determination to strive for the common good. It is summed up in that much abused phrase “we are all in this together.” Solidarity is what drives the white horse. It means being in touch with the needs of communities, striving for the common good particularly by looking for ways of helping underprivileged communities. Subsidiarity in this context means promoting accountability at all levels by proper delegation of decision making - based on the ability to make the right decision rather than based purely on hierarchy.

Might not better decisions have sometimes been made about levels of executive pay, aggressive tax avoidance, mis-selling or misleading advertising, and corporate governance and regulatory compliance, if solidarity with others, promoting the common good and subsidiarity of decision making were – and were seen to be- part of the overall approach to management?

A greater sense within the business world of service of the common good, solidarity and subsidiarity of decision making would help to build in society a more willing to trust in business. In a fast globalising world these principles provide a common currency for businesses to create a spirit of ‘fraternity’ by respecting cultural differences whilst having clear values they are known to stand for. All of this requires a focus on building relationships and not just faceless transactions.

And this brings me to another key principle – reciprocity. This means more than the Golden Rule – do as you would be done by. Reciprocity is not a charter for reprisal if things go wrong! It means building relationships of trust by looking beyond purely contractual or legal obligations. Catholic Social Teaching identifies two levels of reciprocity; the lowest is at the level of justice: giving what is due, including truth and honesty and not misusing knowledge



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... that we call 'fraternity', or 'gratuity', something that goes beyond duty, something that is part of charity, properly understood. This exhorts individuals to seek ways to truly understand the needs of others and to seek to provide for those needs.

Finally we need sustainability. The responsibilities of business extend to future generations, who will have the same rights as we do to use and enjoy the earth's resources. Our duty now must be to seek to replace what we use, repair what we damage, and strive to leave the planet in a better condition than we found it. Many businesses take this responsibility of stewardship very seriously. They care about their impact on the people they employ, and the environment. They respect the rules demanded by society to regulate business and fair competition and innovation, and they promote and advocate more effective global action. But this has not always happened, sometimes with dramatic consequences for both the business and the environment.

So a conscious effort to consider human dignity, the common good, solidarity, subsidiarity, fraternity, reciprocity, and sustainability is a way to make better decisions to build better businesses. These principles engage both the white and the black horse of the business chariot. They reflect the best of what a business can be: showing authentic respect for the whole person in creating a committed workforce, loyal customers and supportive governments; operating freely and responsibly to create new goods and services that society wants; an empathy with communities that identifies new markets and customers; a style of decision making that engages with the workforce to encourage innovation and taking responsibility for keeping the company true to its purpose; the ability to cross borders seamlessly to attract the best talent and grow new markets; building long term relationships that foster loyalty and trust and reduce the costs of customer persuasion and supply chain collaboration; and finally stewardship of resources which reduces the inefficiency and cost of repairing, restoring or paying for resources unnecessarily consumed in the production of goods and services.

The market cannot itself generate the moral values businesses need for their long term survival. Other resources, independent of the market, are needed to give confidence for people in business to drive and defend good behaviour and for outsiders to legitimately challenge poor decisions and outcomes. I believe the principles of Catholic Social Teaching, and in particular the seven principles I have spoken about today offer a profound contribution to that thinking; to act as a sword to lead the fight for better business and as a shield to defend those who are prepared to stand up for better business in a better society.

But applying these principles is not a technical fix. They challenge and stretch us to re-imagine our action in the world, and to re-examine our priorities. Moral decision making is much more than a matter of compliance. Then again, simply knowing the moral law or the



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no more makes someone a better person than knowing the rules of football makes them a better player. What matters is practice and the cultivation of habits - skills- which over time form character and make acting well easier and more habitual. We are all weak and frail, and need rules and reminders. It does not surprise me that research shows when people have just been reminded of what the codes of conduct are, they are far less prone to cheat in a test. It matters then that the prevailing ethos in a company clearly brings together, consciously and consistently, corporate purpose and personal values, and that business should be seen to prize the development of both competence and character. The professionalism of the best companies is built precisely on this.

Plato's allegory concerned the individual. We can all recognise its relevance to our own lives. We have desires for wealth and reward, ambition for success. It is of course praiseworthy to want to succeed and to provide for our families. But we are morally impoverished if we become purely self-interested to the exclusion of others. But our white charger is there too: the desire to find fulfilment in a good job well done, to care for others and make a positive difference to the world through work as well as in other ways. Motivations are complex, and will be different for different people and change over time. But I am convinced that the deepest resources for the transformation of business, as for society as a whole, lies within the human heart. It is there we have to seek what it is we truly value and yearn for, and where we can harness the strongest motivation to change – both ourselves and our world – for the better. We can indeed be expert charioteers, especially, I must add, with the grace of God.

In conclusion, I believe we are at an extraordinary moment of opportunity in our own country to question and reset our collective priorities and ideas about what makes for a truly good society and the place within it of a thriving private business sector. In a world of sharply rising inequality, and still too often driven by seemingly insatiable desires for more, we urgently need to reframe how we collectively understand what business is for, and as citizens, customers and colleagues decide what we want and act accordingly. The business chariot has immense power for good, but it can also dehumanise and destroy. We need to allow our best values to be brought to work. There is nothing pre-determined about how the role of business in society will evolve in coming years and decades. It is a moral, social and political choice, not an outcome pre-ordained by economic logic. I believe that together we can help making the right choice the easier and better choice for business and society.