

Practical Wisdom in Business a Faith-Based Approach

TRANSFORMING BUSINESS

by Christoph Weber-Berg



The post-2008 economic crisis appears to show that aggressive profit-making, and a financial sphere divorced from the real economy, can threaten the very functioning of capitalism. Christoph Weber-Berg, a Swiss Reformed pastor and business academic, believes that free markets and open societies are worth protecting and that it is therefore important to consider the spiritual origins of these threats and to suggest a positive Christian response.¹

Some people claim that the origins of the threats to capitalism lie in the absence of individual virtues. As greed, ruthlessness, and irresponsibility caused the crisis, the virtues should be re-established, incentivised, and implemented within business management. Others call for tighter regulation that will prevent other crises from occurring.

Practical wisdom goes beyond both these solutions and is rooted in an inner freedom for which spirituality provides an important stimulus. When combined with Martin Luther's theology of justification, which centres on the human person, it provides a basis to critique two widespread convictions that are not wrong but deficient.

The first is that self-interest is an acceptable incentive for personal virtues and for organisational responsibility. According to Lutheran anthropology, the *homo incurvatus in se ipsum*, the self-inclined person, epitomises sinful human existence. This is not a moral judgment, but an aspect of the human condition. Human beings are preoccupied creating their authentic selves through following self-interest. For Luther, all believers are both saints and sinners. Human beings trying to attain justification by their

own efforts are bound to fail, even if they are driven by faith and virtue. Only from God can human beings receive their authentic selves.

From this perspective, self-interest – even the sort that can trigger virtuous action – is just a variety of 'self-inclination'. If I serve my neighbours, not because they have God-given dignity, but to gain my salvation, my true attitude is not love, but self-inclination. Love as a function of self-interest is simply not true love. The same applies to all the virtues – they are to be a free response to God's grace by which I'm already justified.

Justification – or 'spiritual profit' – is not the end of virtuous behaviour. It is the state, or condition, under which a believer exercises virtue. The human person is an end in itself and believers are to follow this end through the inner freedom they have received. Their fulfillment of moral duty is a fruit of the Spirit and reflects God's ongoing sanctification. Immanuel Kant reflected this, even though he separated it from religious faith, by describing virtue as the free and rational recognition of moral duty.

It would be naïve to conclude from all this that companies ought not to incentivise ►►

1. This article is based on the author's lecture at a conference hosted by the Spiritual Capital Initiative at Yale University in July 2013, at which Transforming Business' director Peter Heslam was a fellow lecturer.

▶▶ moral behaviour. Within a business context, employees cannot be expected to act morally out of intrinsic motivation alone. But business operations that serve (inadvertently or not) to penalise moral behaviour should certainly be avoided.

The other widespread conviction that is challenged by Lutheran theology is crystallised in the following quote by the business guru Peter Drucker: ‘The first responsibility [of management] to society is to operate at a profit’. It would be unfair to Drucker to interpret this isolated quote too narrowly. But it captures what so many business leaders and economists believe, as reflected in Milton Friedman’s famous assertion that business’ only social responsibility is to increase its profits. Such propositions almost reach the status of a religious creed from which no one dares dissent.

There is nothing wrong with profit-making. But, in parallel to the spiritual profit of justification, profit-making cannot be counted as the foremost goal of economic activity but the condition under which it takes place. And while profit is an indicator of economic efficiency, is not an indicator of value creation. The recent economic crisis occurred within a context in which many financial products and services were generating profit. But did they create value? Did their highly paid creators take adequate responsibility towards society? No! They created systemic risk in order to make profit. They were playing with matches next to a barrel of gasoline. They operated efficiently but destroyed value.

This is a serious failure, as the first goal of economic activity is to create social value - to serve human beings and to advance the common good. It is only companies that take social responsibility to create social value, rather than to increase profits, that can take profits as an indicator of how efficiently they have created this value. There is, therefore, a parallel between personal self-interest and corporate profit-making on the one hand, and personal virtue and the corporate creation of social value on the other.

Virtue is not what we do because we want to get a reward. Virtue is what we do because we have received everything God could ever give us: life, love, hope, and meaning. Accordingly, practical wisdom is about decision and action that is rooted in inner freedom, rather than in smart moral calculation. Inner freedom is rooted in spirituality, in the faithful acceptance of God’s grace which, in Luther’s terms, justifies sinful human beings and is the source of the authentic self. This is the background against which this article makes its two-fold claim:

- Justification, salvation and spiritual freedom are not the objective of moral action, but the condition under which virtues and practical wisdom come into action.
- Economic efficiency and profit are not the objective, but the condition under which economic activity takes place.

The key difference between these two claims is that, while the precondition of economic efficiency imposes restrictions, the precondition of justification sets people free. This is what faith calls ‘grace’, which is another way of saying ‘God believes in you! You are free!’ Believers live the virtues not to gain salvation but because they are free to take responsibility. But why should they take responsibility if they are free to do whatever they want? This question is best answered with another question: are people really free if they fail to take responsibility for their actions towards other human beings?

Making inner freedom, received by grace through justification, the source of practical wisdom has consequences for business leaders. It means they can believe in the people they work with. They can believe their colleagues are free, rather than trying to control them through fear and incentives. They will thereby be helping to foster trust, and the taking of responsibility towards wider society. Rooting practical wisdom in inner freedom opens the floodgates to the love and joy of the abundant life God offers. ■

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