

The Common Good, Management Science, and Virtuous Business Executives: An Integrated Account

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Business executive, workers, suppliers, and other stakeholders in a business do not have to be able to articulate in detail what the common good of a particular business is, but the project of articulation will help any business to more effectively pursue its end. It never hurts to reflect on what you are trying to do. And those who exercise the virtues in a particular business, not those who observe it from an outside perspective, are best placed to articulate its common good.

Management science does not know what to do with the common good. Its principal fault is vagueness. The common good is defined in general terms, and there appear to be no formulae by which one might make the definition operational. How should we measure it, directly or by proxy? By what method can we resolve disagreements about its requirements in a particular circumstance? How can we know that an institution has achieved it or failed to achieve it? Without further operational guidance, the common good appears to be nothing but a moral exhortation to consider the welfare of others, to put the good of the community before the good of the business or the self. If the real motivation of all those involved in business is to maximize profits, this arbitrariness is nothing but a manipulative ruse, an attempt to motivate people to cooperate without monitoring, to work for less pay, and to endow products with a warm glow that attracts wealthy consumers.

I will argue here that the perceived vagueness of the common good is not a problem when its nature is understood. The common good is vague in the sense that the concrete expression of any human good can only be ‘vaguely’ described. As Aristotle asserted in the *Ethics*, our discussion of the specific human good in a particular life context must be imprecise: “Our discussion will be adequate if it has as much clearness as the subject admits, for precision is not to be sought for alike in all things.”¹

The imprecision of the common good is only a problem from the perspective of the approaches to business which dominate management science. In management science, rational clarity is defined by

- formal mathematical method
- clearly specified, measurable objectives (single-valued if possible)
- quantitative measurement of all relevant variables
- developed statistical methodology to establish causal relationships among variables

This approach is technocratic – the application of engineering methods to social questions. The benefits of the technocratic approach are evident in the spectacular improvements in modern standards of living and in the ongoing explosion of technical innovation. Among its shortcomings is its inability to see in the common good anything except vague moral exhortation

– the assumption that anything outside of the technocratic lens must be arbitrary, emotionally manipulative, and non-rational.

The common good is either invisible or distorted beyond recognition through the methods of management science. To see the value of the common good in business, we will have to look at it through a broader, non-technocratic lens, and from the perspective of those whose closeness to the business broadens their view. This essay is a sketch of this broader view, in which the technocratic approach plays an important role, but as a junior partner to the good business executive – as a crucial tool for business success, but whose methods are insufficient for defining success and achieving it in concrete circumstances.

My argument proceeds in five propositions:

1. The common good is a *practical* goal, a concrete achievement at which a business should aim. It is not a principle; it is defined in ‘vague’ terms because much needs to be filled in to make it real. Its achievement requires the exercise of practical reason – in its most excellent exercise, the virtue of practical wisdom.
2. The virtue of practical wisdom brings together reflection on experience, formal accounts of action, and an ability to define ends and means in contingent circumstance to realize the common good of a particular business.
3. Practical wisdom is not at odds with technocratic management science. Practical wisdom naturally turns to abstract, formal descriptions of the circumstances, options, and consequences of action when it reflects on its operation, but these formal accounts (however necessary) are insufficient for action. Contingency (a sort of irreducible uncertainty) makes necessary a set of embedded skills in circumstantial judgment, flexible adjustment, and resolute execution. The common good is formally ‘vague’ because contingency will change the form of its concrete realization in any given circumstances in ways that cannot be formally modelled.
4. The common good will be invisible to the formal approaches of management science, *because they are formal*. They abstract away from contingency, and from the virtues by which the common good is made concrete in contingent circumstance.
5. The specification and achievement of the common good of a business can be fully comprehended only by those whose exercise of practical wisdom brings it about: good business executives. These – not the experts in management science – are the senior partners in discussions about and the pursuit of the common good of business. The adoption by business executives of a junior, technocratic role in business – that of carrying out as far as possible the mandates of management science – generates confusion in defining and achieving the common good of business.

1 The Common Good is a Practical Achievement, and Thus Requires More than Technocratic Methods

Catholic Social Teaching defines the common good in instrumental terms, as “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily.”² Defined at the political level, one can understand this instrumental perspective, but it leaves much to be defined when one moves from the common good of the political community as a whole to the common good of the imperfect communities below it. The common good of a business must be defined more specifically, with respect to the purpose of business within a healthy polity. Alejo Sison and Joan Fontrodona give a more closely tailored, concrete definition of the common good of a business: “the production of goods and services in which human beings participate through work.”³ In *The Vocation of a Business Leader*, the Pontifical Council for Justice and Peace adds to the production of goods and services which are really good and the fostering of participative work a third criterion: the generation of widespread and sustainable wealth.⁴

Even these more specific definitions of the common good in a business context will appear vague and unsatisfying to management science. The problematic vagueness is not in its the generality about means, but about ends. In contrast to the simplistic ends for consumers (preference satisfaction) and businesses (profits), the ends of the common good are more complex and open-ended: the true ‘goodness’ of goods, the value of work, and the equitability of the income distribution bring into play a range of potentially conflicting ends whose nature and definition are often disputed. Among these ends are dignity, friendship, community, economic initiative, and justice. Although the assumptions of utility and profit-maximization simplify the analysis considerably, they make it impossible to describe the more complicated reality of business, in which profits are properly a means, not an end, and in which preference satisfaction need not promote happiness.

The vagueness of its ends is the principal technocratic fault of the common good. The power of technocratic approaches is founded on the simplification and quantification of both means and ends. If the purpose of business is something more complex than profits, how can its purpose be operationalized? If truly ‘good’ goods, ‘good’ work, and ‘good’ wealth cannot be expressed on one scale (willingness to pay, wages, and profits, all expressed in dollars), how are we to pursue the common good? How are we to know whether it has been achieved?

This vagueness is a fault only if the common good *is or ought to be* something quantitative, measureable through technocratic means. If the common good is more complex, then this vagueness is essential to the definition and practical pursuit of the common good. The common good is not an abstraction at the service of a rigorous model; it is a description of a concrete goal, worthy of pursuit by a business. The purpose of a business is not fully described by profit; it is open-ended, depending on the human circumstances in which it operates. Because it is more complex than profits, it cannot be pursued by purely technocratic means and analysis. Those who run a business must grapple with this more open-ended purpose. To complain that the common good is too vaguely-defined to be of use is to complain that technocratic methods are insufficient for the running of a business.

But the technocratic methods of management science are in fact insufficient to run a business; this is not in dispute, even in business schools dominated by management science. Consequently, something more than management science is needed to describe a business's purpose. Since the project of pursuing concrete goods in actual circumstances requires deliberation about ends as well as means, the ability to discern where a model's proxy measurements and assumed causal relationships fall short, and a range of virtues which manage emotions when they impeded judgment, the project does not fit neatly into the maximization heuristic. Managing a business and realizing its common good is a project for practical, not theoretical or mathematical, reason.⁵

2 The Common Good is Achieved through the Virtue of Practical Wisdom

Technocratic reasoning by itself cannot bring about the common good of a business. If technocratic reason were the only possible exercise of reason, the common good as defined above would be non-rational; we could not systematically direct ourselves toward it. Fortunately, there is a mode of reason capable of grappling with practical projects. We must turn to Aristotle and his modern interpreters to discover this mode of reason.

Aristotle outlines five intellectual virtues (modes of excellence in reasoning) in the *Nicomachean Ethics*.⁶ Two of his intellectual virtues should be familiar to management science. Theory (*episteme*) reasons about things which could not be otherwise – the truths of logic and mathematics, for example. Technique (*techne*) reasons about those things which may be otherwise, but which are produced according to a highly developed and accepted method. Theoretical reason provides the deductive structure of management science; the techniques of management science are its toolbox of models and agreed-upon statistical techniques.

Theoretical and technical reason exhaust the modes of reason available to management science. Aristotle does not neglect these two intellectual virtues, but he does not limit himself to them. The challenge of applying reason to concrete action, in which the standardizations of theory and technique do not apply, requires something other than theory and technique. There is a space between theoretical and technical accounts of choice on the one hand and the experience of making and carrying out a program of action on the other. This gap cannot be bridged by theory and technique by themselves. When reason turns to action it must step away from theoretical and statistical abstraction. In contrast to the fixed and clearly-specified objectives of technique, in actual decisions the ends to be pursued are in play as well as the means to chosen ends. Moreover, when reason turns to action it must abandon the simplifications of theory and proxy measurement, and evaluate the significance of what is not measured, of what is mis-measured, and of assumed causal relationships which do not hold. Finally, when reason turns to action it moves from a third person perspective (what should someone in this situation do?) to the first person (what should I do?): the ends of any concrete action are highly personal, realized in the life of the one who acts and the lives of those his action affects. However useful it is to get some third-person distance on your own decisions, when we act we are fully invested in the first person. When the consequences of an act are personal, they bring into play will and emotions in addition to the reason.

At the boundary between assumption and reality, between quantification and realization, between the impersonal and the personal, a different mode of reason, practical wisdom, must

take over. Aristotle defines practical wisdom as “A reasoned and true state of capacity to act with regard to human goods.”⁷ Aquinas gives a pithier definition, “right reason applied to action.”⁸ Long before the modern reduction of reason to theory and technical method, Aristotle defended the perceived vagueness of practical wisdom. The operations of practical wisdom can never be as rigorously and comprehensively specified as those of theory and technique, because the object of practical wisdom (the good in this particular context, this human life) is too open-ended and complex to be captured precisely. Practical wisdom can be described only in outline, but we can reasonably discuss the outline, however imprecisely it is sketched. This openness does not render practical reason unreasonable. It is the exercise of a reasonable person in search of the truth about what he or she should do.

If the common good is a practical achievement, evident in the flourishing of all those affected by the business, then (like all practical goods) it can only be apprehended and realized through the exercise of practical wisdom.

3 Practical Reason Makes Use of Theoretical and Technical Reason

The insufficiency of the technical tools of management science for determining a business’s common good and reasoning about its pursuit, and the corresponding need for practical wisdom, does not place formal analysis and practical wisdom at odds. It is only the modern presumption that all reason must proceed via theoretical and technical method that makes management science and practical wisdom rivals. In Aristotle’s treatment of the various forms of reason, practical wisdom is not a rival to theory and technique; it is a partner, albeit a senior partner.

Formal accounts of action are insufficient for decision making because of *contingency*.⁹ Contingency is the difference between our theoretical and quantitative standardizations of the world and the actual world in which we must act. Three goods may be sufficiently similar for theoretical purposes, and a theorist may assign to them the labels x_1 , x_2 , and x_3 , but the dissimilarity between the goods may matter to consumers. The uncertainties of contingency and fortune may be neatly herded into probability distributions by theorists and empirical researchers, but may be unknown and untamed in practice. In the face of true uncertainty, or when the adequacy of the proposed categories and probability distributions must itself be evaluated, a different set of practical skills come into play. The experience of the decision-maker and of those whose advice he is willing to take must inform his deliberations and action. He must also be adept at reacting to contingency as it unfolds.

Contingency fills the space between the abstract formalizations of theory, between the simplified quantities of technique, and the circumstances facing the decision maker. By abstracting away from contingency, simplifying it to statistical probability and standardized representations of goods, conditions, and decision-making agents, management science abstracts away from the very intellectual skills needed to make a good practical decision and carry it out successfully. These intellectual skills constitute practical wisdom.

Practical wisdom does not eschew formalized analysis, however. On the contrary, it relies on formal accounts to organize its reflections and its deliberations. All forms of reason reflect on their own operations: in its reflection on its own operations, theory discovers the logical

sylogism; technical reason discovers and develops canons of method. These reflections result in general, formalized descriptions. Something similar happens in practical wisdom. When we reflect on our actions, what emerges is a formalized structure: the practical syllogism. In place of the premises and conclusions of logic, practical reasoning discovers a relationship between means and ends: if this is your goal, take this course of action.

When we are asked to give an account of our actions, our explanations have a formal character: we seek to promote some end in some circumstances via certain means. The formalized account is common to any skilled practice:¹⁰ the expert kayaker can draw diagrams (on paper or in her head) of the river she is about to enter, and uses the diagram to plan her approach. The expert violinist learns and plays according to a method which he can diagram or describe and teach to others. The wise business executive can likewise give an account of what he is trying to accomplish and how his actions promote his desired goal.

In none of these activities is the formalized account sufficient for action, but formalized accounts nevertheless play an important role in any skilled activity. The kayaker knows that the diagram of the rapids is not enough to get her through the water, and that a set of embedded skills will be needed to react to the unexpected currents and obstacles, including her own failures on the water. The musician's method is only a foundation for the improvisation, the adjustments to the quality of the instrument, to the playing of his fellow musicians, and the daily variation in his own abilities. The business executive may have to abandon the SWOT tables, financial analyses, and strategic vision as the reality of markets, the uncertainties of supply, the challenges of human resources, and the exigencies of government regulation intervene.

Note that, even though formal accounts are never sufficient for the carrying-out of skilled activities like kayaking, musicianship, or business leadership, in none of these activities are formal accounts abandoned in favor of shooting the rapids without forethought, of just launching into a demanding musical piece without thinking it through, or seeking the common good of a business without analyzing your environment and resources. Formal analysis without embedded skills and virtues is insufficient for successful action, but reliance on embedded skill without formal reflection is also foolhardy.

When we think about our actions we produce formalized schematics. Practical wisdom, like specific practical skill, is characterized by an ongoing dialog between formal account and the embedded virtue of practice. It is in this sense that practical wisdom is the senior partner in the exchange with management science.

4 Management Science by Itself Is not Enough to Pursue the Common Good of a Business

Management science by itself is no more able to run a business than a kayaker is able to run the rapids with nothing more than a map of the river and a path on the map marked by arrows. It must be put into service toward the common good by practical wisdom.

There is a curious blind spot when technocratic method runs up against its practical shortcomings. On the one hand, those committed to management science readily admit that their particular analysis is only a sketch of reality, and that something must be added to their

analysis to make it practical. This admission does not lead the technocrat to reflect systematically on what sort of reason bridges the space between analysis and practice, because in the technocratic vision only theory and technical method are reasonable. Practical wisdom is not a form of reason, so the gaps between analysis and practice cannot be bridged by reason. Consequently, those who make practical decisions (business executives) cannot engage with technocrats in a reasoned way.

If we accept the limitations on the exercise of reason imposed by modern technocratic method, we are left with the conclusion that the practical goals of business, if they are not purely monetary, cannot be discussed or pursued through the application of reason. If instead we accept that business executives do not abandon reason when pursuing the purposes and goals of their businesses, then we must accept practical wisdom as a form of reason different from but no less reasonable than theory or technical method.

5 The Good Business Executive as Senior Partner

If we accept practical wisdom in business as an exercise of reason with its own modes of operation and challenges, but whose object is real knowledge about the common good and its practical realization (however imprecisely specified), then the requirements and operations of practical reason ought to structure the interaction between those who practice management science and those who run businesses. Practical wisdom in business has as its task the achievement of the common good of the business, and toward that end employs every good means toward that end, including the insights and order offered by management science.

I hope it is clear that in assigning to management science a junior role in the running of a business I am not denigrating its value. The benefits of management science are undeniable. The abstract distance of formal modelling, the empirical corrective of data collection and analysis, and the imperative to organize and standardize production, sales, and finance so that they fit more closely the technocratic model, make possible considerable gains in productivity and sustainability. Nevertheless, management science is a set of tools, and tools cannot identify their ends or employ themselves toward those ends. The logic of when to use them and to what ends must be determined by another sort of reason than the narrow logic of their use.

If there is in fact a kind of reason – practical wisdom – capable of employing the tools of management science toward the common good of a business, then its senior relationship toward technocratic tools is clear. The practically wise business executive will take the analysis and advice of management science seriously, but he (and not the management scientist) is best placed to evaluate that advice and apply it judiciously.

If there is no such thing as the intellectual virtue of practical wisdom – if there is no form of reason capable of employing the partial analyses of management science toward the comprehensive whole of the common good of business – then management science has no partner in the running of a business worthy of it. If there is no vision of the realized human good possible in contingent circumstance to order the tools of management science toward that good, then management science must be the senior partner in the running of a business, and business executives have no choice but to be the functionaries of the technocrats, organizing the business

around technocratic principles and simplifying the common good so that it can be attained through management science.

The second possibility – business executive as technocratic functionary – is descriptive of much of business today. When the purpose of the business executive, to draw on the insights of many fragmentary analyses toward the end of the common good of the business, is properly understood and valued, the unique contribution of the business executive can be more fully developed, and can serve as the appropriate counterweight to the partial analyses offered through management science. Bennis and O’Toole, in a widely-read critique of management science, argue that business schools should form their students not to become management scientists, but members of a profession, whose task is to “call upon the work of many academic disciplines.”¹¹ In other words, the ‘profession’ of business must bridge the divide between research and practice: “The problem is not that business schools have embraced scientific rigor but that they have forsaken other forms of knowledge”¹² – knowledge capable of bridging management science and business practice.

To avoid becoming an adjunct to management science, good business executives must develop a better understanding of their separate contribution to business practice. Practical wisdom does not attempt to replicate the rigorous modelling and careful statistics of management science; its task is to make use of these analytical contributions to make good practical decisions. Business executives need to understand and master the disciplines of management science, but the project of any particular business transcends the models and analyses of management science. The practically wise business executive can integrate the insights of management science into business practice without being dominated by them.

¹ Aristotle, *Nicomachean Ethics*, 1.3.

² *Catechism of the Catholic Church*, para. 1906.

³ Alejo Jose G. Sison and Joan Fontrodona, “The Common Good of the Firm in the Aristotelian-Thomistic Tradition,” *Business Ethics Quarterly* 22:2 (April 2012), p. 225.

⁴ Pontifical Council for Justice and Peace, *The Vocation of a Business Leader: A Reflection* (Vatican City: Pontifical Council for Justice and Peace, 2014), pp. 13-18.

⁵ There is a growing literature on the centrality of practical wisdom to management: see e.g. Michael Naughton, “Practical Wisdom as the Sine Qua Non Virtue for the Business Leader,” in Alejo G. Sison, Gregory R. Beabout, and Ignacio Ferrero (eds.), *Handbook of Virtue Ethics in Business and Management*, vol. 1 (Dordrecht: Springer, 2017): 189-197. Gregory Beabout, *The Character of the Manager: From Office Executive to Wise Steward* (London: Palgrave Macmillan, 2013); Barry Schwartz and Kenneth Sharpe, *Practical Wisdom: The Right Way to do the Right Thing* (New York: Riverhead Books, 2011); David Lutz, “Beyond Business Ethics,” *Oikonomia* 5, no. 2 (June 2003);

⁶ Aristotle, *Ethics*, 6.

⁷ Aristotle, *Ethics*, 6.5.

⁸ Thomas Aquinas, *Summa Theologica*. Trans. Fathers of the English Dominican Province (New York: Benziger Brothers, 1948), II.II.47.2.

⁹ Aquinas, *Summa*, 47.3.

¹⁰ On the relationship between virtue and skilled practice, see Julia Annas, *Intelligent Virtue* (Oxford: Oxford University Press, 2011). On the relationship between formal accounts of action and embedded skill see Lucy A. Suchman, *Human-Machine Reconfigurations: Plans and Situated Actions*, 2nd ed. (Cambridge University Press, 2007).

¹¹ Warren G. Bennis and James O’Toole, “How Business Schools Lost Their Way,” *Harvard Business Review* (May 2005), p. 97.

¹² *Ibid.*, p. 104.