

László Zsolnai *Editor*

The Spiritual Dimension of Business Ethics and Sustainability Management

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Preface

This volume introduces the dimension of spirituality into business ethics and sustainability management. It presents selected papers from the international “*Spirituality and Sustainability: A New Path for Entrepreneurship*” conference held in September 21–23, 2012 in Visegrad, Hungary. The conference was organized by the Business Ethics Center of Corvinus University of Budapest in cooperation with the European SPES Forum and ERENET—the Entrepreneurship Research and Education Network of Central European Universities.

The volume presents and summarizes new perspectives and findings about sustainability-related spirituality from a social and economic perspective. It reports on innovative practices and policy reform and discusses spiritual-based leadership for sustainability management. The main function of the volume is to present ideas and initiatives that can lead toward responsible business practices and promote policies for ecological sustainability. It seeks a value community of readers: scholars, practitioners and policymakers who are engaged with genuine ethics in business, environmental management and public policy.

The volume is a product of 19 scholars and practitioners from Europe, North America and Asia. The contributors represent a diversity of fields, including business ethics, management, finance, leadership, religious studies, literature, and sociology.

It is the hope of the editor that the papers presented in this volume will be good food for thought and inspiration to action for those who are engaged in the never-ending “business” of preserving and restoring nature.

June 2014
Budapest

László Zsolnai

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Part I
Introduction

Spirituality, Ethics and Sustainability

Laszlo Zsolnai

Martin Heidegger claimed that modern technology, with its violent metaphysics, destroys Being (Heidegger 1978). However, it is not modern technology itself that is dangerous but its careless and wide-scale implementation by modern-day business. With its exclusive focus on profit-making, modern-day businesses tend to violate the integrity and diversity of natural ecosystems, the autonomy and culture of local communities and the chance that future generations will lead a decent life.

The metaphysics of modern-day business can be described by the following statements: (i) ‘to be’ is to be a marketable resource; (ii) ‘to be’ involves being either an object available for productive activity on the market, or else a subject who makes use of such objects; and, (iii) the only mode of thinking is calculative thinking; the consideration and measurement of every being as a marketable resource (Young 2002).

Such *market metaphysics*—what George Soros (1998) rightly calls “market fundamentalism”—necessarily lead to the violation of natural and human beings. In many cases violent business practices result in ‘essential’ harms such as the exploitation of forests for timber or the commoditization of women as mere sex objects.

To preserve nature and to satisfy real human needs, gentle, careful ways of undertaking economic activities are needed. This requires that economic actors have the intrinsic motivation to serve the greater good, and are ready to measure success using broader value categories than money alone.

The central claim of this book is that both *business ethics* and *sustainability management* require *spirituality* as a *foundation*. Without spiritually-motivated actors, ethical business initiatives and pro-environmental activities can become ineffective and meaningless, and sometimes even counter-productive and destructive.

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Both “spirituality” and “sustainability” are complex notions, hence a definition of the terms may help to set the context in which we can discuss the relationship between spirituality, business ethics and sustainability management.

Spirituality cannot be captured in one standardized definition. Spirituality is a rich, intercultural and multilayered concept. As a guideline I propose to use the following working definition (developed by the European SPES Forum): *spirituality is people’s multiform search for the deep meaning of life that interconnects them to all living beings and to ‘God’ or Ultimate Reality* (European SPES Forum 2014).

Most definitions of spirituality share a number of common elements: reconnection to the inner self; a search for universal values that lifts the individual above egocentric strivings; deep empathy with all living beings; and, finally, a desire to somehow keep in touch with the source of life (whatever name we choose to give this). In other words, spirituality is the search for inner identity, connectedness and transcendence (Bouckaert and Zsolnai 2012).

While the notion of spirituality was for a long time exclusively related to religion, today it clearly goes beyond the boundaries of institutional religions. For believers, and nonbelievers as well, spirituality can function:

1. as a transconfessional good and thereby a suitable platform for interreligious dialogue that can help move humanity beyond clashes of religions and cultures;
2. as a public good, not only a private matter—which demands an appropriate form of public management;
3. as a profane good that does not isolate the spiritual but rather integrates it into political, social, economic and scientific activities;
4. as an experience-based good that is accessible to each human being through their reflections on their own inner life;
5. as a source of inspiration in the human and social quest for meaning (Bouckaert and Zsolnai 2012).

Now, let us turn to the meaning of *sustainability* in relation to business. Business affects the natural environment at different levels of the organization of nature:

- I. Individual organisms are affected by business via hunting, fishing, agriculture, experimentation on animals, etc.
- II. Natural ecosystems are affected by business via mining, the regulation of rivers, building, the pollution of air, water and land, etc.
- III. The Earth as a whole is affected by business via the extermination of species, the impacts of climate change, etc. (Zsolnai 2011).

Sustainability can be interpreted to mean *non-declining natural wealth*. Environmental ethics—developed by Jonas (1984), Fox (1990), Singer (1995), Leopold (1949), Lovelock (2000) and others—offer well-established operating principles that business can follow to move towards sustainability:

1. Business should promote natural living conditions and a pain-free existence for animals and other sentient beings.
2. Business should use natural ecosystems in such a way that their health is not damaged during use.

3. Business should not contribute to violating the systemic patterns and global operating mechanisms of the Earth (Zsolnai 2011).

In summary, we can say that business is sustainable if and only if its aggregate impact on animal welfare, ecosystem health and the living Earth is non-negative.

Current experience shows us that, with its materialistic management paradigm, mainstream business is not sustainable according to the above-mentioned parameters (Tencati and Zsolnai 2010).

The *materialistic management paradigm* is based on the belief that the sole motivation behind doing business is money-making, and success should be measured only in terms of the profit that is generated. However, new values are emerging in modern business that contribute to a *post-materialistic management paradigm*: frugality, deep ecology, trust, reciprocity, responsibility for future generations, and authenticity. Within this framework making profits and creating growth are no longer ultimate aims but elements of a wider set of values. In a similar way, cost-benefit calculations are no longer considered the essence of management but rather part of a broader concept of wisdom in leadership. Spirit-driven businesses employ their intrinsic motivation to serve the common good and use holistic evaluation schemes to measure their success (Bouckaert and Zsolnai 2011).

The present volume is dedicated to elaborating the emerging post-materialistic business paradigm by focusing on the spiritual dimensions of business ethics and sustainability management.

After this introductory chapter *Part 2* of the book presents *new perspectives and findings* in business ethics and sustainability management through using a spiritual perspective.

In his paper, “Spirituality: The Missing Link in Business Ethics”, business ethicist *Luk Bouckaert* (Catholic University of Leuven, Belgium) argues that a more *spiritual approach to business ethics* is needed. Without the involvement of intrinsic motivation business ethics is reduced to being an instrument of reputation and risk management and any genuine moral commitment is lost. Bouckaert stresses that, if we need to reshape our economic, political and religious institutions, we need something that can restore a sense of shared meaning, responsibility and purpose. Spirituality should therefore be promoted as a public good and a public virtue. This approach should be linked to the practice of spiritually-based leadership and to a deep sense of social responsibility.

In his paper, “Spiritual Sustainability Management”, philosopher *Hendrik Opdebeek* (University of Antwerp, Belgium) claims that in exploring a new path for entrepreneurship one should bridge management and wisdom. In order to achieve this, he suggests to explore the richness of Islamic and Jewish traditions.

Opdebeek emphasizes that two great cultures have transferred the ancient traditions of Europe to the Christian West: Arabic and Jewish culture. Religious Judaism developed the foundations on which later Christianity and Western Christian culture were built. Islam regarded the Jewish and Christian religions as precursors of Islam and therefore preached a policy of respect and tolerance for the Jewish and Christian minorities in their midst. One of the most important Jewish philosophers between Antiquity and the Renaissance era was Moses Maimonides (1135–1206),

who transmitted the Aristotelian tradition of practical wisdom. Its relevance to sustainable entrepreneurship today is that Maimonides and other Jewish philosophers like Gabirol, along with Arab thinkers like Avicenna and Averroes, not only preserved the Greek tradition but also accurately and fruitfully considered how one may create a bridge between rational thought and spiritual tradition.

In his paper, “The Inner Perspective—the Sufi Approach”, management consultant *András László* (EuroVisioning, Brussels, Belgium) gives a concise introduction to Sufism. The teachings of Sufi Masters Hazrat and Pir Vilayat Inayat Khan set the tone and framework within which the understanding of the inner perspective on sustainability and leadership can gradually unfold. The paper highlights the new settings/dimensions of consciousness which may be identified according to Sufism; the transcendent dimension (awakening from personal consciousness), the spiritual dimensions of emotions and creativity (tapping in to the thinking of the Universe), and the shifting of perspective (turning within, and the search for meaning).

Within this Sufi framework, the paper explores the much-needed “LeaderShift” in our age of mass collaboration and ever-deepening interconnectivity. It puts at the forefront the recovery of the Soul, the Heart and Wisdom as pivotal added value.

In his paper, “Deep Ecology and Personal Responsibility”, business ethicist *Knut J. Ims* (Norwegian School of Economics, Bergen, Norway) explores the deep ecology approach.

According to Norwegian philosopher Arne Naess, deep ecology has two goals: (1) try to bring about a change in attitudes to nature; and, (2) develop an alternative philosophy called “eco-philosophy”. While eco-philosophy is a descriptive science, ecosophy also includes the study of the development and eliciting of norms. Arne Næss invites everybody to work out his or her individual ecosophy, by which he means one’s personal philosophy of ecological harmony. This kind of wisdom, is openly normative, and contains value priorities, as well as norms. In his ecosophy Naess negates the dominant metaphysics of the modern age which would have humans to be essentially different from the rest of nature.

In his paper “Spiritual Orientation to Nature in Buddhism”, Buddhist scholar *Gábor Kovács* (Corvinus University of Budapest, Hungary) stresses that the Western anthropocentric worldview has separated human beings from nature and made them the dominant species on the planet. This worldview has resulted in a massive environmental crisis. Modern societies are detached from nature and manage their businesses in unsustainable ways. The consumption-based human lifestyle is depleting the resources of the planet at an alarming rate and polluting the environment on a large-scale.

Buddhism refutes the dominance of humans over other species and avoids taking an anthropocentric worldview. The heart of Buddhism is the quest for spiritual perfection through practice. The observation of precepts and the development of virtues are the first steps towards creating a non-harming and peaceful lifestyle. Meditation and the calming of the mind result in further strengthening of virtues and precepts. Continuous practice may create a positive spiral which may produce spiritual perfection and a sustainable life-style. Kovács emphasizes that sustainability in Buddhism is built around the conception of interdependence and the practice of non-harming.

In her paper “Sustainability and Wisdom: The Power of the Fable” literary scholar *Rita Ghesquière* (Catholic University of Leuven, Belgium) analyses the fable as an old literary genre/model that has its roots in popular tradition. In the Western tradition, Aesop was one of the first to give the fable literary prestige. Phaedrus and Jean de La Fontaine followed in his footsteps. The fable, like the fairy tale, can be thought of as a global, common good. We find fables in cultures from around the world and often they have similar messages of wisdom.

Ghesquière analyses fables and extracts examples of sustainable economic behavior. In Aesop famous fables—“The cricket and the ant”, “The farmer and his sons”, “The fox with the big belly”, and “The miser and his gold”—sustainability is linked with wisdom, frugality, and having a vision of the long term.

Part 3 of the book introduces *innovative practices* and *proposals for reforms* for sustainability.

In his paper, “Sustainocracy: Spirituality and Sustainable Progress”, environmental activist and community organizer *Jean-Paul Close* (STIR Foundation, AiREAS and STIR Academy, The Netherlands) argues that all the crises, recessions and related chaos that we suffer today are a consequence of the breaking up of old fragmented system hierarchies to make way for new, local, modern, holistic and cooperative formats of human interaction based on equality, trust and a high level of spiritual awareness.

Close started establishing unique cooperative formats (‘AiREAS’) in The Netherlands in which government, business, science and environmental authorities take joint responsibility for a complex, human objective (e.g. assuring air quality and health, multiculturalism and social cohesion). As old paradigms crumble in the shape of further recessions, new ones receive room to grow, eventually even producing a quantum leap in human evolutionary progress.

In his paper, “Quakers and Climate Change”, environmental scholar and social activist *Laurie Michaelis* (Society of Friends, Oxford, UK) presents the *Living Witness Project* of British Quakers which supports a number of Quaker groups in their experiments with collaborative approaches to sustainable living. Michaelis shares some of the experiences and insights arising from that project and describes the distinctive Quaker approach to power, truth and inclusion in a sustainability context.

In his paper, “Sustainability and Long Term Growth in the Financial Market System”, finance expert *Aloy Sophe* (Erasmus University of Rotterdam, The Netherlands) argues that capital global growth rates should be similar to rates of real economic growth. As an extension of the social discount rate, extreme interest rates (either too low or too high) may be interpreted as premiums because of the assumed sustainability-related premise that long-term financial claims should equal long-term physical assets. From that perspective, interest rates do not just reflect the market price of capital but are variables with important implications for social welfare and the sustainability of the economy.

In their paper “Spiritual-Based Entrepreneurship for an Alternative Food Culture: The Transformational Power of Navdanya” business consultant *Arundhati Virmani* (EHES-CNRS, Marseille and ESC Rennes School of Business, France) and business ethicist *François Lépineux* (ESC Rennes School of Business, France)

examine the mobilization of spiritual notions in defense of sustainable agriculture in India through the specific case of Navdanya, a network of seed keepers and organic producers.

Navdanya has successfully used the spiritual language of protest from its national anti-colonial traditions and battles to safeguard and revive Indian rural and artisan activities. Navdanya's fight for rights and common good is articulated in a language rooted in the traditional wisdom and knowledge of common folk. Navdanya offers an example of how spiritual values and traditions can mobilize people to engage in sustainable agriculture and can defend them against misuses of corporate power.

In his paper, "Enforcement of Self-Interests by Nature Transformers", ecologist and environmental activist *Janos Vargha* (Danube Circle, Budapest, Hungary) shows how large-scale technological projects—particularly hydroelectric dams—destroy natural ecosystems. He demonstrates that planners and builders manipulate politics and the general public by misrepresenting and disregarding the negative environmental effects of their projects. Vargha suggests employing a saying attributed to Comenius—"Let everything flow free, violence shall be afar from things"—as a general guiding principle for judging the ecological and ethical merits of technological projects.

In her paper "Entrepreneurship Inspired by Nature" environmental management scholar *Nel Hofstra* (Erasmus University Rotterdam, The Netherlands) states that our perspectives about nature determine how we evaluate environmental problems, how we seek to conserve nature and try to prevent future problems. Nature has been over-exploited by mainstream business. To constrain further destruction, a shift from an anthropocentric to a more eco-centric approach is developing entrepreneurship and eco-innovations, expanding the body of knowledge about Nature's operating instructions.

Part 4 of the book presents a debate about spiritual-based leadership in business.

In his lead paper, "Spiritual-based Leadership", business ethicist *Peter Pruzan* (Copenhagen Business School, Denmark & Sri Sathya Sai Institute of Higher Learning, Prasanthi Nilayam, India) argues that the concept of spiritual-based leadership is emerging as approach to leadership that integrates a leader's inner perspectives on identity, purpose, responsibility and success with his or her decisions and actions in the outer world of business—and it is also emerging as a significant framework for understanding, practicing, communicating and teaching the art and profession of leadership.

Pruzan notes that spiritual-based leaders are nourished by their spirituality, which is a source that informs and guides them. They search for meaning, purpose and fulfillment in the external world of business and in the internal world of consciousness and conscience. Their external actions and their internal reflections are mutually supportive, so that rationality and spirituality are also mutually supportive.

In her article, "Educating Moral Business Leaders Without the Fluff and Fuzz", leadership scholar *Joanne Ciulla* (University of Richmond, USA) argues that spiritual-based leadership is only one of many ways to describe how to develop and educate moral leaders. We want business leaders who do good things. Whether they are motivated by spirituality, humanism, virtue or an enhanced intellectual

perspective is not as important as whether they behave ethically and sustainably. Educators and scholars must seek the most effective ways to educate business students to take on the moral responsibilities of leadership.

While Ciulla is sympathetic to the ideals of spiritual-based leadership, she doubts that promoting spirituality is the best way to convince business schools to change how or what they teach. The task of educating moral business leaders is too important to approach without having clear and compelling ideas about what moral leadership is and how to practice it. If we get rid of the fuzz, people may stop calling ethics a fluffy subject.

In his article, “In Admiration of Peter Pruzan’s proposal for Spiritual-based Leadership”, business management expert *Steven B. Young* (Caux Round Table, Minneapolis, USA) notes that good leadership resonates with vision and mission and looking beyond the present. Young emphasizes that we are both material and spiritual. To insist on one and not the other is to deny the truth of our humanity. The Spirit must enter the world through our action, and action may be demonstrated in leadership.

In his article, “The Paradox of Pragmatism”, business spirituality scholar *Paul de Blot, SJ* (Nyenrode Business University, Breukelen, The Netherlands) suggests that the dualism of ‘the inside’ and ‘the outside’ cannot be solved if we start by focusing on the differences. We should start by examining unity. He refers to Nobel prize winning chemist Ilya Prigogine considering an open system with a chaotic outside which developed internal harmony. Jesuit biologist Teilhard de Chardin saw evolution as being self conscientization of the material world, also developing from a spiritual inside. French philosopher Gabriel Marcel looked for meaningfulness in these relationships by reflecting on modes of having and being.

In her article, “Cultivating Moral Humility”, management scholar *Katalin Illés* (University of Westminster, London, UK) notes that great leaders quite naturally make the connection between their external and internal worlds and relate to the environment in a humble and responsible manner, expressing their concerns for the common good as something deeply personal.

Illés believes that the only way to contribute to changing humanity is to start changing ourselves. The wisdom literature from different cultural traditions tells us to pay attention to our inner world, to search for answers in the silence of our hearts, to sit with our dilemmas and patiently wait for answers, to listen to the inner wisdom that we all carry inside.

The debate ends with a replay by *Peter Pruzan*, “Further Reflections on Spirituality and Spiritual-based leadership”. He emphasizes the fact that unless a leader’s behavior is grounded on existential inquiry that leads to self-knowledge, ethics, no matter how it is taught or what ethical codices are developed to guide behavior in organizations, will, continue to succumb to the demands of economic rationality. Scandals will continue to anger and frustrate us no matter how much focus our business schools place on business ethics and how many Green Papers are developed to promote corporate social responsibility.

The knowledge of the Self, the core essence of our being is available to us all, but where the skills and the motivation to access such knowledge are often suppressed

by the acceptance—and often the idealization—of the traditional criteria of success, which emphasize financial gain. Just like the rest of us, leaders have differing abilities to transcend their egos and to gain access to their true, spiritual natures.

Part 5 of the book presents *conclusions* by summarizing the main messages of the contributors of book to stimulate the development of business ethics and sustainability management. One set of messages is related with *research*: how to incorporate spirituality in the theories of business ethics and sustainability management. The other set of messages concentrates on *practice*: how to develop and implement new working models of ethical business and sustainable economy and how to transform leadership to enable ethical and sustainable change.

The book “The Spiritual Dimension of Business Ethics and Sustainability Management” ends with the hope that more and more people will discover how to transcend their materialistic egos, gain access to their true spirituality and find practical solutions to ensure the sustainability of nature and human communities on this Earth.

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Decision Making” (2008. New Brunswick, NJ, London, UK: Transaction Publishers), “The Future International Manager: A Vision of the Roles and Duties of Management” (2009. Houndmills, UK, New York, NY: Palgrave Macmillan), and “The Collaborative Enterprise: Creating Values for a Sustainable World” (2010. Oxford, UK: Peter Lang Academic Publishers). His website: <http://laszlo-zsolnai.net>.

Part II
New Perspectives in Business
Ethics and Sustainability

Spirituality: The Missing Link in Business Ethics

Luk Bouckaert

In 2002 I was involved in a discussion with Henk van Luijk, the founder of EBEN, about the future of business ethics.¹ We agreed that at that moment business ethics as a discipline has conquered not only the classrooms of business schools but also the executive suites in many companies. But, simultaneously, we had the feeling that a price has been paid for its success. Business ethics is running the risk of becoming *salonfähig*; losing its critical potential and becoming just part of the business game. I formulated this critical observation in the form of a paradox which says that “the more ethics management, the less ethics in management”. The challenging question at the heart of our debate was: How can we overcome this management paradox?

I was convinced that a more spiritual approach to business ethics is needed. Without greater intrinsic motivation, business ethics will sooner or later be reduced to just another instrument for reputation and risk management and any genuine moral commitment will be lost. Henk van Luijk did not agree with my conclusion. He wrote:

Ethics in business is too serious a matter to make it dependent on the morality and spirituality of individuals (...). Personal moral and spiritual excellence is something we can hope for, but we can hardly influence it. When it comes to active interventions in the domain of business it is the conditions that we should tackle, the institutional configurations that define the range of behavioral alternatives. For business ethics as a discipline and a practice, this entails a substantial broadening and deepening of the field of action. (Bouckaert 2006, p. 204)

I was defending spirituality in business ethics, while Henk van Luijk was pleading for critical reflection on the institutional anchorage of business. In his view the institutional context generates the motivation and not vice versa. Hence, the conclusion that a business-oriented institutional ethics was needed. We must change the supporting socio-political environment if we want more genuine ethics in business

¹ See Zsolnai (2006, pp. 196–222).

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ethics. Of course, spiritual ethics could help with uplifting motivation, but it will not change things substantially.

Looking back at this debate, I am convinced more than ever that business ethics needs a spiritual foundation. The basic reason is that people—due to the current crises—have lost confidence in institutions and institutional leadership. Institutions are part of the problem and not just the remedy for restoring a sustainable future. If we have to reshape our economic, political and religious institutions we need something that has deeper roots than our institutional settings. We need something that can restore a sense of shared meaning, responsibility and purpose. This ‘something’ is what we may call spirituality. Henk Van Luijk was right in criticizing spirituality as far as it is defined as an introspective and purely individual search for meaning and happiness. This search of individualized spiritual wellness is fine, but will not suffice as a lever for social and institutional change. But we should not reduce spirituality to this private aspects. As a personal and individual experience, spirituality has the power of reconnecting the self from within to all living beings and to the inner Source of Life. Because of this capacity of reconnecting people, spirituality has a strong social and public good character and is linked with the practice of value-driven leadership and with a deep sense of social responsibility.

It would have been fascinating to continue this debate with Henk Van Luijk. In the end we might have reached a meeting point between spirituality and institutional reform. As he died in 2010 I can only present my reflections here as a dedication to his unforgettable commitment to business ethics. In the first section of my paper I will explain the failure of business ethics and the need for spirituality. The other sections link spirituality to leadership (Sect. 2) and to social responsibility and sustainability (Sect. 3). By linking the notion of spirituality to leadership, social responsibility and sustainability, I hope to demonstrate that spirituality is not just an individual matter but a public good that is necessary for leveraging change in institutions.

1 The Failure of Business Ethics

During the 1980s the theory of business ethics was felt to be a revolutionary paradigm shift which could be used as a new horizon, enabling business ethicists to break with the narrowly-focused shareholder theory about firms that are obsessed with maximizing profits. It was the time of the Friedman-Freeman shift, social auditing of The Body Shop, the ‘People, Planet and Profit’ strategy of Shell, the emergence of ethical investment funds, the growth of CSR programs. It was the time for business ethics to flourish.

The first shocking event that led me to reflect more critically on the assumptions of business ethics was the closing of a Renault plant in Brussels in 1997. Renault at that time had developed an ethos of stakeholder participation and cooperation on the factory floor, but once it was confronted with the problem of profitability, forgot completely about its stakeholder philosophy and fired more than three thousand employees without prior communication or negotiation. This event made me aware

of how business leaders—despite their discourse about ‘values’ and ‘stakeholder management’—remained deeply embedded in the logic of maximizing profits for shareholders at the level of strategic decision-making. The failure of Renault was not its search for long term profitability (which is in a free market economy a necessary precondition for flourishing) but the fact that communication and negotiation with primary stakeholders in a context of crisis was not seen as a moral obligation and a consequence of stakeholder philosophy. Why this kind of selective moral blindness? One of the results of this much-discussed case in Belgium was growing distrust of managerial ethical discourse.

The dot-com crisis in the late 1990s (with the fall of big companies such as Enron, Lernaut & Hauspie and WorldCom) highlighted the same paradox: more ethics management does not imply a consistent and integral commitment to ethics. Ethics may be reduced to being applied in a selective and market-driven way. More than the previous scandals, the current financial and debt crisis revealed the limits of business ethics as the (much-praised) practice of moral self-regulation. Although many of the banks involved were also committed to CSR programs and had started ethical investment funds, this did not help them to anticipate and avoid the crisis. Of course, we can explain the ethical deficit as a *lack* of business ethics and see the remedy in more business ethics and more CSR programs. I am afraid that this strategy of ‘more of the same’ will fail if the efforts made in business ethics are not supported by critical reflection about the mechanisms of selective blindness in business ethics.

Looking at the ongoing financial crisis, it is important to realise that the sub prime-mortgage crisis in the USA was only a trigger. Even without the crisis in the housing market, the system would probably have collapsed sooner or later. Since the 1980s, structural problems have been gnawing away at the global financial system, rendering it very unstable and fragile. The system turned a blind eye to inherent risks and promoted irresponsible, short-term and speculative behaviour. It produced a high degree of *moral myopia* and *selective blindness*. The system not only fostered irresponsible behaviour but also dazzled people so they would not realise the likely consequences or anticipate the looming catastrophe. In classical tragedies the hero’s fall is always preceded by his or her inability to grasp the ambiguity of what is happening or the fragility of their predicament. Moral myopia and hubris always come before catastrophe.

If conventional business ethics was not able to help anticipate and avoid the current crisis, will it now be able to develop the right solutions? One of the suggested remedies for overcoming the debt crisis is to launch a new agenda for economic growth following the example of Roosevelt’s New Deal after the crisis of the 1930s. It is said that we need a master plan for economic growth to fuel the system, to create employment, consumption and investment, which in the end will enable us to repay our huge deficits and debts. It is not difficult to imagine that such a growth agenda will re-stimulate the overuse of non renewable resources, aggravate climate problems and reduce the quality of life of future generations. Green capitalism may be a step in the right direction, but it is not sufficient. If we build green cars but at the same time stimulate the production and consumption of more cars, we will not

stop the overexploitation of our planet. The principle of frugality has to be introduced to help reshape our consumption patterns and life styles. While replacing existing technology with “green technology”, we also have to change the incessant underlying drive towards “more and bigger.”

If the business ethics paradigm of moral self-regulation through stakeholder-management and CSR programs is not sufficient to overcome the contradictions in our economic system, what can business ethics offer in this context of uncertainty and distrust? We can choose to continue our reformist role within the system as we have done up to now, or we can distance ourselves, apply self-criticism and try to transform our way of looking at things. The latter route was followed by Socrates in Athens, Lao Tzu in Ancient China and The Prophets of Israel. Referring to a more recent example, in his *Guide for the Perplexed* Ernst Schumacher (1977) also did the same at the end of his life. In all these writings we will not find grand theories of leadership and ethics but thoughts about the spiritual way to wisdom, leadership and shared responsibility for the common good. Instead of founding business ethics in the grand rational theories of modernity, such as utilitarianism, Kantianism and social constructivism, we could find inspiration in the older *spirit-driven philosophies* of life and community. They can be very helpful with rediscovering the difference between the *ratio* and the *spirit* as faculties of the human mind. Modern philosophy and education have prioritized human *rationality* at the cost of *spirituality*. Along with many others, I believe that it is time to restore the balance between rationality and spirituality and to re-vitalize our faculty of ‘spiritual intelligence’ as a source of wisdom in management and leadership.

2 Spiritual-Based Leadership

Instead of defining spiritual-based leadership in an abstract and academic way, let me illustrate it using a quote from the *Tao Te Ching*, where *Lao Tzu* contrasts rational knowledge and leadership with spiritual intelligence and leadership. The *Tao Te Ching* was written in the 6th century BC as a spiritual book for leaders. It contains 81 poems. Here, I quote poem 48 (translated by Stephen Mitchell 1988).

In pursuit of knowledge,
every day something is added.
In the practice of the Tao,
every day something is dropped.
Less and less do you need to force things,
until finally you arrive at non-action.
When nothing is done,
nothing is left undone.

True mastery can be gained
by letting things go their own way.
It can't be gained by interfering.

According to Lao Tzu, spiritual intelligence is a process of unleashing and letting things go: ‘dropping every day something’ until you arrive at a stage of *non-action*.