

Integrating Non-Profit Leadership and Social Entrepreneurship into Catholic Business Education

NICHOLAS J.C. SANTOS, S.J.

Marquette University

Here is the Twitter version of my thesis: If Catholic business schools are to prepare their students for careers in non-profit and social entrepreneurial organizations as well as for-profit organizations, it will result in Catholic business education becoming more Catholic.

And here is a longer version: Integrating non-profit leadership and social entrepreneurship education into the traditional business school curricula enhances the value offering of the Catholic business school. However, given that many non-Catholic and secular business schools have stellar programs in non-profit leadership and social entrepreneurship, what is the distinctive rationale, if any, that we as Catholic business schools might have for such integration? Here, my answer is that the integration of non-profit leadership and social entrepreneurship education into traditional business education enables the Catholic business school to provide a business education that is better aligned with Catholic Social Thought (CST), particularly with respect to its vision of economic activity as contributing to the common good. So, let me begin with some context.

We live at a time of amazing technological, medical, and scientific advancement. We have nanotechnologies, self-driving cars, robotics, machine learning, blockchain technologies, etc. And yet, the sad truth that confronts us is that a vast majority of the world have no access to these advancements and in fact wage a daily battle for survival. In 2017, Oxfam issued a report stating that eight men owned the same amount of wealth as the bottom half of the world's population.¹ This level of inequality is undoubtedly staggering, but what is even more discomfoting is the substantial number of people who have no access to clean water, sanitation, nutritious food, healthcare, transportation, etc. Consider some of these statistics:

- About 5.4 million children under the age of five die each year, roughly about 15,000 deaths per day. More than half of these are from conditions that could

- be prevented or treated with simple interventions. About 45% of these deaths are from malnutrition.²
- An estimated 2.8 billion people do not have access to clean cooking facilities. About 2.5 billion rely on solid biomass. 120 million use kerosene, and 170 million use coal; both of these known to cause health problems.³
 - As of 2015, 2.3 billion people lacked a basic sanitation service with about 892 million practicing open defecation.⁴
 - As of 2016, 1.1 billion people or 14% of the global population did not have access to electricity.⁵
 - According to the United States Interagency Council on Homelessness, as of January 2018, Pennsylvania had an estimated 13,512 people experiencing homelessness on any given day.⁶

Those of us involved in Catholic business education cannot be unmoved by this situation. And yet, the dominant business education paradigm, which is aimed at preparing our students for careers in for-profit organizations, does not allow us adequately to do anything about the dire situation of the world around us except in a very peripheral way: service-learning projects, immersion experiences, faculty consultations, etc.

Let me illustrate this point with an excerpt from the Nobel Prize-winning economist Milton Friedman, in a much-debated article that appeared in the *New York Times Magazine* dated September 13, 1970 and titled “The Social Responsibility of Business Is to Increase its Profits.” Friedman begins that article thus:

When I hear businessmen speak eloquently about the “social responsibilities of business in a free-enterprise system,” I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned “merely” with profit but also with promoting desirable “social” ends; that business has a “social conscience” and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of

reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.⁷

Friedman ends his article with a quote from his 1962 book *Capitalism and Freedom*:⁸

There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

The relentless pursuit of profit maximization that Friedman promotes unfortunately has been the dominant paradigm of business education for the last many decades. In the wake of the corporate scandals at the turn of the millennium, the late professor Sumantra Ghoshal wrote an insightful piece that was published posthumously in 2005, placing the blame for many of the worst excesses of management practices on the ideas and theories that emerged from business school academics. Ghoshal laments that “by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility.”⁹ Ghoshal also approvingly cites Thomas Kochan’s observation that the root cause of the scandals was the overemphasis placed on maximizing shareholder value without any regard for other stakeholders.¹⁰ Sadly, even a decade after Ghoshal’s assessment, ethics scandals continue to rock the corporate world. Consider the emissions scandal of the German automaker Volkswagen,¹¹ or the faulty airbags case of the Japanese airbag manufacturer Takata,¹² or the fake accounts scandal of the U.S. banking company Wells Fargo.¹³ Yet, despite calls to reform business education, the dominant model remains focused on profit maximization and shareholder primacy. This is not to say that many business schools have not incorporated courses on business ethics and corporate social responsibility (CSR) into their curriculum. But as Ghoshal rightly pointed out, such an approach is not enough.¹⁴ What is needed is a shift in the focus of business education.

At the annual macromarketing conference in 2016, Dr. Tina Facca-Miess from John Carroll University and I delivered a presentation titled “A Social Entrepreneurship-Oriented Business

Education” in which we proposed moving the focus of business education from the traditional profit-based firm-centric model to an outcome-based society-centric one. Our position is that, as long as the metric of success is the profitability of the individual firm, all attempts at incorporating ethics and CSR will be futile. Instead, the metric of success should be the positive social outcomes in terms of the social problems that the firm is attempting to address.

This proposition is not as outlandish as it might appear. Consider the growth of benefit (or B) corporations over the last many years in the U.S. These are for-profit companies that: “(1) have an expanded purpose beyond maximizing share value to explicitly include general and specific public benefit; (2) are required to consider/balance the impact of their decision not only on shareholders but also on their stakeholders; and (3) are required to make available to the public, except in Delaware, an annual benefit report that assesses their overall social and environmental performance against a third party standard.”¹⁵ Pennsylvania is one of more than 30 states that has legislation supporting benefit corporations. Consider also other movements such as conscious capitalism, conscientious capitalism, servant leadership, economy of communion companies, community interest companies, etc.

Friedman accused businessmen who promoted the idea of business as having social ends or a social conscience as advocating socialism. Perhaps business education has shied away from considering the social ends of business for fear of being labeled as socialist. But this can no longer be the case. Consider one of the trends that Deloitte identified in its survey of companies across the world in 2018: being “social” in the sense of recognizing that the company operates in an ecosystem consisting of customers, stakeholders, communities, business partners, and employees.¹⁶ A remarkable 77% of respondents to the survey rated “citizenship and social impact” as critical or important, though nearly 50% also claimed that executives were not ready to deliver.

The value offering of incorporating non-profit leadership and social entrepreneurship into the regular business school curriculum is that it interjects a common good focus that both these fields have and that traditional business education lacks. Consider the definition of social entrepreneurship proposed by Professor Paul Light: an effort towards “sustainable, large-scale change through pattern-breaking ideas in what or how governments, non-profits, and businesses do to address significant social problems.”¹⁷ My own definition of a social entrepreneurial organization is “one that aims at co-creating social and/or ecological value by providing innovative and lasting solutions to social and/or environmental problems through a process of empowerment

and in a financially sustainable manner.”¹⁸ Benjamin Huybrechts and Alex Nicholls point out that there are three features of social entrepreneurship that are common to most definitions.¹⁹ The first is the primacy of social and environmental outcomes over profit maximization. The second is an innovative mindset that is manifested in new organizational models and processes and in new ways of framing societal challenges to arrive at new solutions. The third feature is market orientation.

According to the National Center for Charitable Statistics, approximately 1.56 million non-profits were registered with the Internal Revenue Service (IRS) in 2015, an increase of about 10.4% from 2005.²⁰ While non-profit organizations have existed for a number of years, social entrepreneurial organizations are a more recent development. Unfortunately, there is not a clear IRS designation for social entrepreneurial organizations; hence, counting them is tricky. Nevertheless, there is no doubt that the number of these organizations is substantially large.

Given the number of non-profit and social entrepreneurial organizations in the U.S. as well as globally, starting degrees in non-profit leadership and social entrepreneurship makes sense from a business perspective. However, there are stellar programs in many non-Catholic and secular universities in both non-profit leadership and social entrepreneurship. For instance, the *U.S. News & World Report* rankings in 2019 for schools with the best non-profit management programs did not have a single Catholic school in the top twenty.²¹ The top five schools were Indiana University, Bloomington; Syracuse University; Purdue University; University of Southern California; and the University of Minnesota. Likewise, some of the schools offering social entrepreneurship degrees include Duke University, Babson College, and American University.²²

The increased offerings in non-profit leadership and social entrepreneurship courses is also driven by a shift in student preferences. In a paper published in the *Journal of Jesuit Business Education* in 2013, David McCallum and Laura Horian point out that business school graduates increasingly are concerned not just about getting a job, but also about making a difference in the world.²³ These students want to be part of transformative change that leverages resources to make a difference for a greater number of people, particularly the poor and marginalized. The growth of Ashoka-U, an initiative of Ashoka, the world’s largest network of social entrepreneurs, is indicative of student interest (www.ashokau.org). Since its launch in 2008, Ashoka-U now recognizes about forty-five campuses across the world as changemaker campuses. Marquette University was one of the early changemaker campuses, attaining changemaker status in 2010.

So, there are two main motivating factors for incorporating non-profit leadership and social entrepreneurship education into business schools. First, it increases career opportunities. Second, students are not interested in an exclusive focus on the financial bottom line and are concerned about environmental and social issues. While a number of business schools are influenced by these two factors in opting for non-profit leadership or social entrepreneurship programs, I think that Catholic business schools should consider these as opportunities for redefining traditional business education rather than just following the pack in starting programs or degrees in non-profit leadership and/or social entrepreneurship. Let me elaborate this point.

In a paper published ten years ago in the *Journal of Catholic Higher Education*, Stephen Porth, John McCall, and Joseph DiAngelo assessed the state of business education at Catholic colleges and universities. They used a two-pronged research method. The first was a survey that was sent to the heads of the business schools in all the 169 Catholic universities and colleges in the United States, which resulted in forty-two responses for a 25% response rate. The second prong was an analysis of the websites of the population being studied. The conclusion reached by Porth and colleagues was that business education at Catholic colleges and universities was not sufficiently distinctive. They proposed that two concepts from CST could enable distinctive student outcomes: respect for the dignity of the human person and the purpose of business as oriented towards the common good.²⁴ However, as Michael Naughton at the University of St. Thomas in Minnesota points out, the integration of CST into business education is a complex undertaking. Naughton highlights three dimensions of this complexity. The first is the Catholic intellectual tradition itself, which has theological, moral, and philosophical elements. The second is “the increasing complexity of managing and leading business institutions within a global environment and the growing specialization of various disciplines in business education.” And the third is “the situational complexity of different Catholic universities around the world with their own unique cultures, histories, geographic locations, and their increasingly pluralistic environments.”²⁵

In a faculty survey done in the fall of 2014 on CST in Catholic business schools in the U.S., Andrew Gustafson and Matthew McCarville from Creighton University found that, at most of the forty-three schools that responded, only a very small minority of faculty were considered versed in CST.²⁶ Surely this should be considered a problem. The Pontifical Council for Justice and Peace, which is now part of the Dicastery for Integral Human Development, published not quite a decade

ago a reflection entitled “Vocation of the Business Leader.” Deep in the text, in §86, the document states:

business students are informed by powerful theories and highly trained in technical skills; but some unfortunately leave university without the ethical and spiritual formation that would ensure that their insights and skills are used for the welfare of others and the support of the common good. Indeed, some leave with a formation that predisposes them to live the divided life rather than giving them the fundamentals for an integrated life.²⁷

One way of overcoming this problem might be to have faculty training in Catholic Social Teaching. I am, however, skeptical of this approach being very successful. A more successful approach might be to begin by refocusing the purpose of our business education towards training our students to be successful in non-profit and social entrepreneurial organizations, as well in for-profit organizations. Such a refocusing would introduce considerations of the common good, human dignity, and solidarity into the curriculum, without having to mandate remedial training in CST. Of course, leaders of Catholic business schools would do well to be guided, or at least inspired, by CST in re-orienting the curriculum!

It is significant in this regard that the International Association of Jesuit Universities (IAJU), together with the International Association of Jesuit Business Schools (IAJBS) and Colleagues in Jesuit Business Education (CJBE), has embarked on an ambitious project of both envisioning an alternative paradigm of business and economic development and providing students at Jesuit business schools with an alternative paradigm of business education. The IAJU was founded in July 2018 and has more than two hundred members. One of its six priority areas is environmental and economic justice.²⁸ While the IAJBS and the CJBE have regularly featured topics of sustainability and ethics at their annual meetings, these have not made a significant impact on business education. It is to be hoped the IAJU joint project will lead to fundamental change.

I conclude with a quotation from the document “Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System,” released by the Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development in May 2018. In §17, the document states:

What is demanded is an initiative, above all, for the renewal of humanity in order to reopen the horizons towards that abundance of values which alone permits the human person to discover himself or herself, and to construct a society that is a hospitable and inclusive dwelling place with room for the weakest, and where wealth is used for the benefit of all—places where it is beautiful for human beings to live and easy for them to have hope.²⁹

Notes

1. Oxfam Briefing Paper, “An Economy for the 99%,” January 2017, https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-economy-for-99-percent-160117-en.pdf, accessed April 4, 2019.
2. World Health Organization, “Children: Reducing Mortality,” September 19, 2018, <https://www.who.int/news-room/fact-sheets/detail/children-reducing-mortality>, accessed April 4, 2019.
3. International Energy Agency, “Energy Access Outlook 2017,” October 19, 2017, <https://www.iea.org/access2017/>, accessed April 4, 2019.
4. UNICEF, “Universal Access to Sanitation—UNICEF Data,” July 2017, <https://data.unicef.org/topic/water-and-sanitation/sanitation/>, accessed April 4, 2019.
5. International Energy Agency, “Energy Access Database,” <https://www.iea.org/energyaccess/database/>, accessed April 4, 2019.
6. United States Interagency Council on Homelessness, “Pennsylvania Homelessness Statistics,” <https://www.usich.gov/homelessness-statistics/pa/>, accessed April 4, 2019.
7. Milton Friedman, “The Social Responsibility of Business Is to Increase Its Profits,” *The New York Times Magazine* September 13, 1970, 33, <https://graphics8.nytimes.com/packages/pdf/business/miltonfriedman1970.pdf>, accessed on April 4, 2019.

8. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2002), 133.
9. Sumantra Ghoshal, “Bad Management Theories Are Destroying Good Management Practices,” *Academy of Management Learning & Education* 4.1 (2005): 75–91, at 76.
10. Ibid., 81. See Thomas A. Kochan, “Addressing the Crisis in Confidence in Corporations: Root Causes, Victims and Strategies for Reform,” *Academy of Management Executive* 16.3 (2002): 139–141.
11. Russell Hotten, “Volkswagen: The Scandal Explained,” BBC December 10, 2015, <http://www.bbc.com/news/business-34324772>, accessed April 4, 2019.
12. Hiroko Tabuchi and Danielle Ivory, “Takata Discarded Evidence of Airbag Ruptures as Early as 2000,” *New York Times* February 12, 2016, http://www.nytimes.com/2016/02/13/business/takata-discarded-evidence-of-airbag-ruptures-as-early-as-2000.html?_r=0, accessed April 4, 2019.
13. Matt Levine, “Fake Accounts Still Haunt Wells Fargo,” *Bloomberg* October 13, 2018, <https://www.bloomberg.com/opinion/articles/2018-10-23/fake-accounts-still-haunt-wells-fargo>, accessed April 4, 2019.
14. Ghoshal 88.
15. See “What is a benefit corporation?” B Lab, 2019, <https://benefitcorp.net/faq>, accessed April 4, 2019.
16. Josh Bersin, “The Rise of the Social Enterprise: A New Paradigm for Business,” *Forbes* April 3, 2018, <https://www.forbes.com/sites/joshbersin/2018/04/03/the-rise-of-the-social-enterprise-a-new-paradigm-for-business/#6db75f0271f0>, accessed April 4, 2019.
17. Paul C. Light, “Reshaping Social Entrepreneurship,” *Stanford Social Innovation Review* (Fall 2006): 47–51, at 50, http://www.nyu.edu/social-entrepreneurship/news_events/resources/pdf/paul_light.pdf, accessed April 4, 2019.

18. Nicholas J.C. Santos, S.J., “Social Entrepreneurship That Truly Benefits the Poor: An Integrative Justice Approach,” *Journal of Management for Global Sustainability* 2 (2013): 31–62, at 39, https://epublications.marquette.edu/cgi/viewcontent.cgi?article=1136&context=market_fac, accessed April 4, 2019.
19. Benjamin Huybrechts and Alex Nicholls, “Social Entrepreneurship: Definitions, Drivers, and Challenges,” in *Social Entrepreneurship and Social Business: An Introduction and Discussion with Case Studies*, eds. C.K. Volkmann, K. Ernst, and K.O. Tokarski (Wiesbaden: Springer Gabler, 2012), 31–48, at 33.
20. Brice McKeever, “The Nonprofit Sector in Brief,” National Center for Charitable Statistics, January 3, 2019, <https://nccs.urban.org/project/nonprofit-sector-brief>, accessed April 4, 2019.
21. U.S. News & World Report, “Nonprofit Management Programs,” 2019, <https://www.usnews.com/best-graduate-schools/top-public-affairs-schools/nonprofit-management-rankings>, accessed April 4, 2019.
22. Giselle Weybrecht, “How Business Schools are Creating Social Entrepreneurs,” AACSB Best Business Schools’ Blog, October 11, 2016 <https://bestbizschools.aacsb.edu/blog/2016/october/business-schools-creating-social-entrepreneurs>, accessed April 4, 2019.
23. David C. McCallum, S.J., and Laura Horian, “A Leadership Education Model for Jesuit Business Schools,” *Journal of Jesuit Business Education* 4/1 (2013): 37–52.
24. Stephen J. Porth, John J. McCall, and Joseph A. DiAngelo, “Business Education at Catholic Universities: Current Status and Future Directions,” *Journal of Catholic Higher Education* 28.1 (2009): 3–22, at 10.
25. Michael Naughton, “A Complex Mission: Integration of Catholic Social Tradition with Business Education,” *Journal of Catholic Higher Education* 28.1 (2009): 23–44, at 25.
26. Andrew B. Gustafson and Matthew McCarville, “Catholic Social Thought in Catholic Business Schools in the U.S. Today: A Survey and Conclusions,” *Journal of Religion and*

- Business Ethics* 4 (2017): 1–31 (article 2), <https://via.library.depaul.edu/cgi/viewcontent.cgi?article=1105&context=jrbe>, accessed April 4, 2019.
27. Pontifical Council for Justice and Peace, “Vocation of the Business Leader: A Reflection,” 4th ed., November 2014, §86, https://www.stthomas.edu/media/catholicstudies/center/ryan/publications/publicationpdfs/vocationofthebusinessleaderpdf/PontificalCouncil_4.pdf, accessed April 4, 2019.
28. International Association of Jesuit Universities, “Environmental and Economic Justice,” <https://iaju.org/working-groups/environmental-and-economic-justice>, accessed April 11, 2019.
29. Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, “‘Oeconomicae et pecuniariae quaestiones’: Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System,” May 17, 2018, §17, <https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2018/05/17/180517a.html>, accessed April 4, 2019.