



HUMAN CAPITAL

A new vision in economy beyond market, models and ethics

Work and the person: toward a new education

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Columbia University, W & J Warren Hall, Room 207

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Crossroads: Good evening, and welcome to all on behalf of the Crossroads Cultural Center, and a warm thank you to our co-sponsor, the Christian Business Fellowship at Columbia University. Let me introduce Dr. Marco Aiolfi, who tonight, and for each of the following three lectures in this series, will introduce the theme and the speaker, as well as moderate the discussion.

Dr. Aiolfi is a Principal of Platinum Grove Asset Management, with research and trading responsibilities for currencies strategies. Before this, he was a Research Scholar at the University of California, San Diego, specializing in macro asset pricing and econometrics, and in 2005 he was a Visiting Scholar for the Research Department at the International Monetary Fund. Dr Aiolfi has contributed articles to several academic journals including the Journal of Econometrics, the Journal of Forecasting, and the Journal of Financial Econometrics. He received his Ph.D. in Economics from Bocconi University in 2006.

Aiolfi: Thank you, David. As the title suggests, the aim of this series is to look at the many ways in which the "human factor" affects the economic sphere. To some extent, there is a tendency in our culture to think of the economy as a fairly impersonal process that can be understood in "scientific" terms. Accordingly, public policy often faces economic questions like engineering problems, to be solved using appropriate fiscal, monetary or regulatory instruments. Similarly, economic debate in the academia and in the media focuses on topics such as the role of the market, or mathematical modeling, or even the need for ethical guidelines, but mostly in manner that is fairly abstract and removed from concrete human experience.

In our opinion, all these approaches, while certainly useful, are not enough. Economic processes cannot be understood in separation from the reality of the people who work and produce. Ultimately, all economic systems reflect the desires, talents and skills of the people who participate in them. Human beings are not ants, and economic construction is not a mechanical process, but a truly human event which involves reason and freedom at every step. This is why we titled our lecture series "Human capital: a new vision in economy, beyond market, models or ethics".

It is interesting how this reality has come up both in the recent Papal Encyclical and also in the work of this year's winners of the Nobel Prize in Economics. For instance, no advanced economy could operate without a complex network of human relationships based on trust and shared ethical values. Or without a critical mass of people willing to risk entrepreneurial initiatives that to some extent go beyond their short term individual interest. In fact, all economic growth originates in one way or another from human desire, and not simply desire for individual enrichment but above all desire to build, to humanize the world. Economics has a deep cultural dimension, which nowadays is often ignored.

This technocratic and mechanistic reduction can be seen also in the way the words in our title, "Human Capital," are often understood to mean simply an educated workforce, where in turn the word "educated" means little more than "trained." However, the true human capital of a society involves all the creativity and the aspirations of its members, the richness of its social networks (including family life), its traditions of workmanship and entrepreneurship.

The first lecture is titled: "work and the person: toward a new education". Our speaker tonight is a representative of a unique associative reality, entirely built on the concept that economic life finds its roots in the reality of the human person. Bernhard Scholz is the President of Compagnia delle Opere (Companionship of Works), certainly one of the largest business networks in the world with a membership of over 35,000 businesses. Based in Milan, Italy, the Companionship of Works operates in more than 15 countries.

Bernhard Scholz is a management consultant. He was born in Müllheim in Germany. He has a degree in Political Science and Modern History from the Universities of Münster and Freiburg im Breisgau. He graduated with a thesis on "The process of rationalisation in Max Weber." He then worked as a professional journalist and managed the press office of the archdiocese of Freiburg im Breisgau. At the same time he worked on improving his knowledge of public relations, internal communications and organizational culture. At the end of the nineties he devoted himself specifically to consultancy and managerial training. Since 2003 has been manager of the Scuola d'Impresa della Fondazione per la Sussidiarietà, aimed particularly at small business. Since 2006 he has coordinated all the training and management training of this Foundation. In 2008 he was elected as President of the Companionship of Works. Bernhard Scholz is married and has three children. Mr. Scholz.....

Scholz: I am very glad and honored to be here tonight, and I thank Crossroads and the Christian Business Fellowship at Columbia University for the invitation. The theme that will be covered in this lecture series represents a great challenge: Human capital is the real resource to build a better future, a more human future and to begin development that will include other peoples.

But what is this "human capital"? It is often wrongly defined as all the people who work inside a company or within a nation, a new translation of "human resources," as the counterpart of financial capital. Instead, I would define the term "human capital" as the set of knowledge, skills and abilities acquired, and those still incompletely expressed or even those that have not been discovered yet, during the life of an individual who seeks to achieve social and economic goals.

The term "capital" was introduced to show the measurability and effects which these skills do or do not generate in the impact with the social and economic life of a nation or of an economic sector. There are many studies, especially of a statistical nature, which detect the relationship between innovation and productivity on one side and the different school systems and universities on the other, in order to give us a quantitative and qualitative measure of the impact of education and teaching on economic and social life.

This evening I would like to share with you my reflections, not so much on the measurability of "human capital," but on the conditions which allow the person to acquire knowledge and skills for his or her constant growth, focusing on working life. Work itself is a significant source for the acquisition of knowledge and skills, so much so that companies and institutions can promote or hinder such growth. In this context, we also have the opportunity to focus more on some issues that concern more generally the relationship between the person and the organization.

1. Desire and Work

A worker's knowledge and skills are generated, acquired and transmitted mainly by people. It is not mechanical; it is instead a consequence of a relationship which a person freely establishes with the environment in which he or she lives.

In light of this, we can only start from what drives a person to face his or her life and work. As we know, there are many theories about what motivates people to work, and I think that this issue must be addressed boldly from its origin. We need to go to the root of different motivations and give value to the real point: we are talking about the deepest desire of each person to conquer happiness and then to make this happiness complete and lasting. Monsignor Luigi Giussani, to whom not only the Movement of Communion and Liberation but also the Company of Works owes its existence, has made this "desiderium" which the great philosophical and theological traditions have spoken of as the essence of "umanum," something which is possible and present. It is evident that the desire for fullness of life by its nature pushes one to a search for the infinite and finds its ultimate expression in what Monsignor Giussani calls the "religious sense."

But while the idea is widespread that everything that is about religion, or the search for the ultimate meaning of life, takes you out of reality and away from the nature of life itself, the truth is that this same desire which leads us, introduces us to reality in order to transform it to make it more suited to the ultimate demands inscribed in our nature.

Desire is like the spark that ignites the motor. Every human action is born from this phenomenon, from this dynamism that is inherent to man. Desire ignites the human motor. So as one sets himself to the task of finding bread and water, finding work, looking for a wife, finding a more comfortable armchair and a better home, he becomes interested in why some have a lot and others have nothing, why some are treated fairly and he isn't, right to the point of enlarging, expanding and changing himself and these stimuli that he has inside and that the Bible globally calls "heart."

If we stand in front of the daily challenges of ordinary life, which often bring out a contradictory meaning to our needs and talents, it is precisely within this normality that desire begins to search for a meaning that can give a sense to everything, not to avoid it but to catch it in its truth and its fullness and put it at the service of humanity and its action.

I am not here to expound on the concept of the religious sense, but I had to mention it to highlight that the commitment to work in the human being is generated from a deep source that somehow defines man himself. First of all, it is the noblest expression of the person, which seeks to realize itself in the desire to turn reality into a home that is more human, to serve the people entrusted to him and to make himself available to the common good.

Processing, service, creation of assets: these and many similar formulations indicate how man's desire to become more human, to become more himself, pass through a work commitment. Then it is clear that

this desire is the source of the learning process that leads to competence, to curiosity that leads to knowledge, to every need that leads to work, and every opening that tries to meet the meaning of work and life.

2. Work and Education

Whoever works is obliged to look at the reality of things, to understand customer needs, user needs, the operation of a machine, the logic of a process, the market rules, the balance rules and so many other things. The work, whatever it is, is in itself an invitation to continually improve on one's set of knowledge and skills. This dynamic, as we have said, is supported by the human desire for one condition: that the person recognizes the specific work one has to do as an opportunity through which this desire marks its journey. Then everything becomes an opportunity for learning, and work itself becomes education; that is, people come to know themselves and the world around them better.

The great French entrepreneur Francois Michelin wrote: "I worked in a factory for fifty years and I am very glad I did, because the difficulties we all run into are the greatest way we have to be educated. Often you can get more profit from a failure than from a success, because when you get positive results you run the risk of "mirroring" yourself without analyzing anything, while if you fail you are forced to pay attention to reality and learn from it." He added: "If you forget the purpose of what you are doing, your business will always be unpleasant." (*Atlantide* 13 to 1 / 2008)

Many now perceive work as something inevitable to put up with, or, at the other extreme, full of stimuli as a substitute to fill up time. This latter approach work well if all goes well, but leads directly to depression if something goes wrong. In both cases, however, work is not an expression of a genuine desire, but of an alienation that is imposed in the first case and of an exhausted search in the second. We have seen past ages during which the working conditions were objectively alienating for the inhuman violence which characterized them. But today, in industrialized countries, often there is still a form of voluntary alienation.

The financial crisis with its consequent distance of finance from the real economy and its idolatry of profit maximization is caused by the betrayal of this desire. The building of goods by means of labor was replaced by an instinctive "I want it now" through sophisticated financial transactions.

This recent dynamic shows that desire becomes an ideal tension and does not shape the work of man automatically. A person's freedom is and remains the key factor that asks us to decide if we want or do not want to remain faithful to ourselves and to the original impetus which we discover within ourselves and which ties us to the world. In this sense, the crisis that we now live is, like all crises, a great opportunity to learn from our experience and to stand in front of our own human nature, which does not wish for profit that will vanish, but for real and durable goods, services truly dedicated to the person, and to have the opportunity to create something really useful for everyone.

A human being's freedom is hardly moved by a moral or ethical appeal. It moves if it recognizes that within reality there is a possibility of greater satisfaction, which, unlike the pleasure that ends immediately, remains and becomes a source of further commitments and developments. The criteria of truth and charity are present in us and are waiting to be called out to manifest themselves through the relationship with the real. The more one's human desire is driven to acknowledge reality, the more one's knowledge and skills will grow properly through having the experience of real satisfaction. Whoever is sincere and honest with himself will discover that happiness cannot consist solely in the accomplishment of a job, but he also discovers that without work which respects reality, it is difficult to get to know

oneself and to find one's way to such happiness. Living in reality is the first education, and that is why work is a real education, which promotes the training and growth of every kind of knowledge.

3. Work and the Organization

Now I would like to make a few remarks on the majority of people who enter the world of work in different companies with their desire and their original needs. They work in banks, hospitals, schools, universities, government offices, as well as those dedicated to a job who are not paid, like the thousands of mothers with children, grandparents with grandchildren, and the army of volunteers working without a salary. It is inside and within these organizations, large and small, public and private, for profit or non-profit, that they follow this desire, trying to compare themselves with reality by understanding customers and markets, exploring new products or new services, generating new knowledge and technologies, taking care of the sick, helping those in need, and using finance and profit or the sponsors as an instrument for achieving their goals.

In all of these organizations, no one can "do it on his own," but each can make a contribution according to one's skills and personal knowledge. In addition, personal skills take real effect if they are combined with social skills such as communication, leadership, the capacity to delegate. One can wonder: "How is it possible to really express one's abilities, to really follow one's desire, through a participation that only "makes a contribution" without, instead, making a "complete" work? The answer to this question can only be in a true and loyal involvement by the individual within the organization.

The first condition which gives dignity to every person's job and to each employee is the clear and transparent statement of common goals and principles which support and define their many responsibilities. It is only when I know the content of my work and the common purpose to which I am devoting myself that my work acquires a real value and allows me to establish a relationship of trust between myself and other employees. Also, the opportunity to serve in a great "cooperation" becomes a true appreciation of your own person. Something much deeper is reflected in this experience: if we look at human life as a whole, we realize that everyone has collaborated in the great history of the world, and that all that they need comes about through a cooperation, without which none of us would even have food and clothing. We live in a large network which only an ideological individualism has been able to reduce to an isolation which seeks the other person just for a few fleeting needs but not for a real sharing.

This is so true that every organization is not a reality separated from others with many procedures and anonymous activities but is first of all, as Pope John Paul II said, a community of men.

This brief reflection allows us to introduce a decisive consideration: "The contribution toward" versus "to make it on my own" is not something less in the end and does not prevent a full expression (a total fulfillment) of our own desire. Whoever is giving what he can for the creation of something bigger than himself lives within his own work the elementary human condition.

By itself, the relationship between a person and an organization finds its form in a legal contract which defines the rights and obligations of both parties. But after what we have said, we understand that the contract does not exhaust the employment relationship. What gives meaning to the employment relationship is instead a kind of "alliance" for a certain period of time between one who offers his skills on the one hand, and one who represents the purposes of the organization on the other. To conceive the partnership as an "alliance" strengthens the trust in a realistic way, because it makes transparent the "why" and "where" of the commitment of each one and indicates the content of the reciprocity in a transparent manner, thus avoiding undeclared interests or secondary purposes. The "alliance" is a mature condition made of circumstances and strong intentions, and not made from alienating statements.

This dynamic also has the task of recalling organizations to be faithful to their purpose at the service of something beyond themselves: the enterprise of customer services, the hospital serving the sick, the school serving the students, the public offices serving the citizens; all targets to benefit the users will also encourage a good sense of the work. The seriousness of such an approach also reveals the link between each organization and the common good. The desire at the origin of the motivation finds a horizon in which the welfare of the person, the success of the organization and the common good come together and become a unity of expression.

4. Responsibility

One of the most debated themes in the relationship between person and organization is and always will be the motivation. How can I motivate my colleagues and collaborators is one of the most common questions posed by the leaders of a company.

If the true motivation for the work is human desire, as we said, then the motivation can only arise within the person and cannot be introduced from outside. Therefore, it is not in anyone's power to create an adequate motivation for another person. Despite this, we constantly try new techniques to produce emotions in the person, trying to inspire "positive" feelings for a greater commitment. Experience teaches us that these techniques, which sometimes border on manipulation, are almost always insufficient and their effects are short in duration.

We can adopt two opposing ways to affect the motivation of another: to destroy or limit the motivations through behaviors which undermine his trust or sense of justice, or to create conditions which support, guide, encourage, strengthen and correct the reasons which he carries within himself as an expression of his human desire.

As we said, the basic requirement is the clear and transparent communication of the general objectives and specific aims of the work. But we need to add something essential: it is necessary to give the reasons, stating the reasons chosen for these goals, these strategies and these actions.

In this way the person has the opportunity to assume a specific responsibility that allows him to "respond" to something that he may know and understand, and in front of which he might, in full awareness, risk himself and his talent. In this way, accountability becomes a true appreciation of the person and of his abilities and consequently fits with true dignity in the overall work process, and thus his desire can be expressed in an authentic way. Knowing the reasons behind the goals, strategies and actions of each employee offers the possibility of developing several new proposals, even more appropriate to the challenges in workplaces. Consequently we open a constructive dialogue that refers not to power plays or impressions, but to a continuous confrontation with facts, data and results suggested by reality itself.

The person, pushed by his own desire, will face reality for what it is through his responsibilities, with a tension toward real knowledge and the continuous improvement of his skills.

To give you just a hint of how desire also impacts the decision process based on knowledge of reality, the vast amount of information available does not become by definition a set of knowledge for us which is aware of itself, but it becomes so only if the meaning which man alone can give it is expressed. I can have an excess of information about my company, my customers, new markets, problems and new technologies. But all this becomes knowledge only when I can give a meaning to this information, an opinion which gives it a value and opens it to possible interventions and actions.

Information about the different possibilities for investing my profit becomes knowledge if I know the consequences of these investments and have the possibility to assign a value to the various options. There is no important choice that does not imply, sooner or later, the basic criteria of my human desire and the virtues to bring that choice to completion. The desire is not only a source of a "pushing or dragging" but is also the source of a judgment which directly or indirectly affects our decisions as well as the economic and organizational issues.

Putting people in front of reality and asking them to take responsibility is therefore the greatest value that can be done in the world of work. It is about giving value to the entrepreneurial skills which reside within each of us as an expression of our desire. And that is why Benedict XVI wrote in his encyclical *Caritas in Veritate* that "Business activity has a human significance, prior to its professional one," and he continues, referring to *Laborem Exercens*, "It is present in all work, understood as a personal action, an *actus personae*," which is why every worker should have the chance to make his contribution knowing that in some way "he is working 'for himself'." It is not a coincidence that Paul VI, as noted in the Encyclical, taught that "every worker is a creator."

So responsibility is a prerequisite for a person to make a real experience of self, to truly know himself. Only those who respond with their whole being can know themselves.

It is important to remember in this context that within any organization, the transition from a reduced motivation or narrow reasons to a more authentic and strong motivation, or the transition from a reduced desire to one with greater clarity about its real needs, occurs very often with colleagues who testify in a convincing way that there is a way of working which unites human desire and the challenge of efficient work through real responsibility.

In the "community of people" within an organization there are some dynamics of witness and reciprocity that act virtuously in supporting the responsibility without replacing it and are worth as much as good leadership. In this way we can also say more generally that a culture of responsibility, even at the level of civil society, strengthens a true sociability, making people more supportive. And on the other side, a real sociability, as the encyclical *Caritas in Veritate* puts forth, also promotes approaches where responsibility takes place. Only if there is real responsibility can a solidarity worthy of the name take place. Otherwise we fall into the traps of paternalism and welfare dependency which organize people's lives and presume to define their own good regardless of their freedom.

You may ask: So the retribution systems, the incentives, the premiums do not have a role in improving economic motivation in organizations? To address this issue we should open another category of reflection. But surely we can only mention that once guaranteed a fair wage (and even here we have a lot to discuss ... "fair" as compared with what?), no form of economic incentive will ever replace a conscious and appropriate orientation of work towards goals, a true partnership and a work experience rooted in human desire; it can only act effectively as a lever of support, as a practical or symbolic expression, measured in a small space of time.

To clearly indicate their common goals and give the reasons, to assign the final goals of a single action as a responsibility and not just as a task, to highlight the talents of each one and other managerial "missions" remain irreplaceable for the person's involvement in an organization so that it is full of dignity. Now everyone is talking about the "centrality of the person" within enterprises and institutions, but only a few realize that this centrality is not generic but encompasses every single person in his or her uniqueness. It concerns the person who "offers the work" and the person who "does the work," and concerns intellectual and manual work, as well as routine and creative work.

Conclusion

I have tried to make clear how work which starts from responsibility becomes an education, an edification of the person and a help in creating a more human society. In this context, we have addressed questions of a fascinating world that is opened up and often can be surprising in its beauty in allowing us to live our desire, the desire for a fullness of life. These questions are simple, so simple that they are continually overlooked and neglected despite their inevitability and power.

But when we stop for a moment to observe ourselves in action and look at ourselves while we are working, then we discover that all is gift, all is given, that everything that we have is entrusted to our responsibility. In this way, work leads us back to the same source from which it is born, that great desire which finds its most fulfilled form in the religious sense.

Therefore, all the answers to the big and simple questions that life presents us with must be verified by our daily work. Christian faith that purports to be answered as true, authentic and abundant in the religious sense tells us that our talents were given to us by the Creator himself inside the circumstances, to realize ourselves and give glory to He who entrusted them to us. In this sense, "human capital" is no more than an expression of a gift received, accepted and developed responsibly for the good of the people entrusted to us and for the common good. We therefore have the opportunity - if we want - to verify the truth of this proposal that is for everyone in every situation, at every moment of life.

Aiolfi: The whole point of the competitive market system is to devolve control from individuals to an impersonal network. We want to thank Mr Scholz for reminding us that the true protagonist of every economic initiative is a human being who lives work as an expression of his or her own desire to change reality.

Economic responsibility is entrusted to individuals not to competitive markets. The market provides the framework for individuals to act – it cannot substitute the individual.