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VIRTUES AND THE COMMON GOOD IN PRODUCTION

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Learning objectives

In this chapter, we shall:

- Reflect on the nature of production and the conceptual differences between action and production.
- Explore the purpose of the business firm as a community of people, as well as the issues that arise therefrom related to the virtue of justice and property rights.
- Draw attention to the issues concerning production and the environment that emerged with modernity and industrialization.

Nature has endowed living beings with the functions needed to survive in their environment. However, human beings go beyond biology and turn to culture to satisfy their needs. Instead of adapting to the environment, human beings adapt the environment to themselves. Because of this, human beings in production seek what they consider to be a certain kind of good. “Good is ascribed [...] both to what benefits human beings as such and to what benefits human beings in particular roles within particular contexts of practice” (MacIntyre 2012 [1999]: 65).

The economist J.M. Keynes noted that,

[f]rom the earliest times of which we have record—back, say, to two thousand years before Christ—down to the beginning of the eighteenth century, there was no very great change in the standard of life of the average man living in the civilized centers of the earth.

(Keynes 1972: 359)

However, the birth of modern “political economy” involved a radical change in the understanding of human beings’ relationship with nature. Since Bacon and Descartes, knowledge is no longer the discovery of truth or the pursuit of the good life, but the unbridled domination of nature. As a consequence, economic production has been considered largely independent of politics and morality.

Production has become an impersonal and uncontrolled process. The current production paradigm—guided by the maximization principle—requires an incessant multiplication of wants and ever-shorter cycles, transforming not just production and work, but also property and society itself. At the same time, human beings and nature have turned into means in support of the machinery of production and consumption. Although thanks to industrial production, humanity has reached an unprecedented state of material well-being, it has become increasingly difficult for societies to share wealth equitably and preserve nature for future generations.

In what follows, I will present the Aristotelian view of production as subordinate to ethics and politics, and how that view shifted in modernity. I will also briefly show the evolution of organization theory, from a technical account of the firm to a comprehensive idea of cooperative work, thanks to intrinsic and transcendent motivations. Finally, I will explain how Catholic Social Teaching (CST) has consistently called for a moral order of production, emphasizing human dignity and service to the common good.

1. An Aristotelian view of production and its contribution to human flourishing

In a broad sense, to produce comes down to giving rise to something, which is not limited to reproducing a fixed pattern of behavior, but rather involves a kind of mastery. Because human action is free, human beings, unlike others, can produce in so many different ways. This possibility frees man from his environment, allowing him to build his world largely thanks to his capacity to produce freely and rationally. Human production thus involves deciding or having control over action, which is why it is an intentional process. The end of human production is not mere survival, but rather a certain type of life that is social rather than individual. Human production, in this sense, is political; it is a dimension of life in common. Economic production emerges with a view on meeting the common need (Koehn 1992) and involves a division of tasks and functions. Cooperation for the satisfaction of needs requires collaborative work, which is performed by firms as intermediate institutions.

There is a close relationship between action and knowledge, that is, human action transcends the mere satisfaction of immediate vital needs—as is the case with other animals—to deal with activities aimed at a certain representation of the good life; and this is what Aristotle calls *praxis* (Vigo 2007: 110). Only

people who possess a certain rational representation of what a good life means are capable of *praxis*. Aristotelian ethics is premised on a proper human function that expresses reason. Human excellence or virtue resides in rightly fulfilling this function in accordance with reason (Sison 2015: 242).

Aristotle classifies the different kinds of human knowledge in accordance with the related activity. He then identifies three kinds of human activity, including contemplation (*theoria*), action (*praxis*) and production (*poiesis*). The different kinds of knowledge correspond with the different uses of reason. Theoretical reason (*sophia*) speculates on something and its aim is the contemplation of truth; practical reason (*phronesis*) deals with human action and it has a moral dimension, i.e., it enables man to reflect on his actions so that they are organized towards their own perfection; and technical reason (*techne*) is aimed at an external end or result (Met. II 2 and VII 1).

The difference between action or *praxis* and production or *poiesis* lies in two kinds of teleologies: “[f]or while making has an end other than itself, action cannot; for good action itself is its end” (Aristotle *Nicomachean Ethics* (NE): 1140b). The ancient Greek world placed these two realms in drastic opposition, both internal and external, since production was an activity for slaves, while practical-ethical knowledge that governs action was reserved for free men. Although Aristotle considers action and production as mutually exclusive (Arendt 1958; NE: 1178b), they must not be understood as two conflicting rationalities; rather, the proper subordination between them should be recognized (Murphy 1993).

There is some ambiguity in the term *techne*, alternatively translated as “art” or “craftsmanship,” since it refers to both manual or industrial arts and to instrumental methods—used by people who are skilled at something—in order to achieve ends. Sison highlights that:

[o]ur modern idea of work as productive activity is linked above all to *poiesis*. In *poiesis*, as in the practice of the crafts, what is important is the external object produced, for which there is a codifiable set of rules or instructions. A master craftsman is one who has perfectly embodied this set of rules in his productive activity, displaying extraordinary skill.

(Sison 2016: 105)

For Aristotle, *techne* (art or artistry) is the excellence in *poiesis*, a kind of virtue that leads to technical excellence, instead of directly to the morally good (as *praxis* does). Virtue in *praxis* is strictly directed towards the good, whereas *techne* is ambivalent and can be used badly. *Techne* provides the most efficient means of achieving proposed ends, whether good or bad (NE 1140a). In order for *techne* to be a virtue, it must be subordinated to *phronesis* (Murphy 1993: 106), which is the excellence in *praxis*. *Phronesis*, as a moral and intellectual virtue, includes and perfects *techne* (NE: 1141a, 1141b, 1142a, 1143b, 1153a). Ultimately, both excellences are internal to the subject or agent, and ends cannot be relegated to mere mechanical causality because “in all arts and sciences both the end and the means should be equally within our control” (Pltcs. 1331b).

Aristotle does not develop human production in detail, but he considers the family as the natural unit of production, which ensures survival and supplies goods to the city, the only self-sufficient community (Aristotle *The Politics* (Pltcs): 1253a). The organization of family life or household management (*economy*) is essential for the common good of the *polis* (Pltcs: 1260b). Economy is a subordinate discipline of politics that takes care of material goods and consists of wealth use and enjoyment (Martínez Echevarría 2011; Ferrero and Sison 2017), starting “in the bare of needs of life, and continuing in existence for the sake of a good life” (Pltcs: 1252b). It does not lack an ethical dimension, but is rather an “ethics of private life” (Berthoud 2002), a prior and fundamental instance of public life or politics. “Through the organization of family life, as the Greek word *oikos-nomos* indicates, Aristotle describes the set of private activities of production and consumption that ensure the reproduction and preservation of things and people in a space of common life” (Berthoud 2002: 60).

Every family is comprised of members, the relationships among them and a variety of instruments (Pltcs: 1253b). According to Aristotle, there is a natural kind of acquisition (*chrematistics*) that pursues useful things, according to human needs, and is not endless (Meikle 1995) because “the amount of property which is needed for a good life is not unlimited” (Pltcs: 1256b). Wealth-production (*chrematistics*) is not an abstract process, but it is at the service of flourishing (*eudaimonia*) (Pltcs: 1253b). However, there is also a *bad chrematistics* that has no end (Pltcs: 1257a) and involves exchange for the sake of money. Thus, human production can only be understood as a rational and ethical action if it provides useful things for the good life. Since money is not an end in itself, but rather always a means, when production is organized for the sake of money (*bad chrematistics*), it loses its proper end and becomes an endless process to accumulate wealth of a “spurious kind” (Pltcs: 1257b), tending towards the worst type of acquisition: usury (Pltcs: 1258b). Aristotle does not condemn exchange—as Plato does (see Berthoud 2002)—because it is good for the unity of the *polis* (Pltcs: 1133a). However, modern economics changed the Aristotelian understanding of production by removing its proper end in order to become an instrument in the attainment of maximum wealth.

- Production should not be a mere technical and impersonal process guided by the maximization principle, but rather a human activity involving a kind of mastery. It certainly includes a technical dimension, which is, however, subordinate to praxis, since its end is to provide useful things in accordance with the good life. The end of production should never merely be money.

2. Modern production and MacIntyre’s critique

Adam Smith’s proposal in the late seventeenth century was built on three basic elements: the private accumulation of wealth, the market as a process of resource allocation and a streamlining of production. Economic activity is constituted as a “gigantic and powerful instrument—the whole collection of means

of production that in a sense are considered synonymous with ‘capital’—” (John Paul II, *Laborem Exercens* (LE) 1981: 12) within which the modern business firm occupies a central place. The firm resulted in a new way of organizing not just production and work, but also property and society itself.

The Industrial Revolution and the consolidation of factories or “places of production” were made possible thanks to the division of labor, which Smith illustrated with his famous example of the pin factory (Smith 1979, Book I, Ch. 1.) The social division of labor emerged with the appearance of cities. However, the division of labor within the business firm is different; it aims to maximize efficiency and, ultimately, profit. Another important difference is that whereas the social division of labor relies on the natural socialization of men, the technical division of labor does the opposite: it promotes the isolation of individuals in very simple mechanical tasks. Accordingly, wealth and progress emerge from the mechanical interaction of individuals—that is, a model based on machines rather than on persons. This new paradigm relies on the accumulation of capital, since its productivity replaced the fertility of the land.

Indeed, the expansion of a technical division of labor hugely developed manufacturing and mass production but, at the same time, caused serious conflict between social classes. Marx was one of the fiercest critics of modern factories. According to him, in each historical epoch, a ruling class oppressed the rest, thanks to the ownership of the means of production. To end this dialectic of domination, he proposed that the State should own the means of production (communism).

In mainstream economic theory at the beginning of the twentieth century, however, production was considered an amoral realm characterized by three elements: utility, compartmentalization and an independent external objective, understood in a mechanistic way (Ferrero and Calderón 2013: 532). This is the underlying principle in the first models of productive organization, mainly developed by engineers with the purpose of maximizing the input-output relation. Taylor’s “scientific management” (1911) focused on mechanical work is paradigmatic of this trend.

However, this mechanical dimension was surpassed in the 1930s with the consideration of psychological and sociological factors. Mayo (1933) and Roethlisberger’s Hawthorne experiments became the turning point towards a richer conception of organizations. This looks beyond the objective realm of production to include the subjective dimension, that is to say, not just extrinsic—external—but also intrinsic—internal—motivation, learning and human relationships. Since then, organizational authors have suggested that, “the external utility of production is bound together with a deep meaning of internal utility, understood as the ability of work to enrich employees and managers through practical knowledge” (Ferrero and Calderón 2013: 534).

After the Second World War, a series of scientific developments related to information processing emerged, such as Cybernetics and the Theory of Information. Since then, information has occupied a privileged place within organizations. Daniel Bell’s seminal work (1973) shows a shift from the Industrial

to the Post-Industrial Society, characterized by the pre-eminence of a service economy over a manufacturing one. However, the “novel and central feature of post-industrial society is the codification of theoretical knowledge and the new relation of science and technology” (Bell 1973: xiv), giving prominence to a theory of value based on knowledge instead of labor. According to Bell, the “information age” is not founded on a mechanical, but rather on an intellectual technology that transcends the boundaries of space and time.

Cybernetics (Wiener 1949) is the science that studies the control or regulation of systems, especially self-regulating ones (machines as well as organisms). Wiener’s model explains human action as a continuous feedback process of social interaction. Cybernetics was applied to organizational theory by Pérez López (1991, 1993). Pérez-López developed the implications of cybernetics not only for organizational theory but also for a theory of action (1991: 43), giving rise to three different types of organizations (1993). Besides the mechanistic and the psychosociological models, he introduced the humanistic one.

The most characteristic feature of this model is the so-called “transcendent motivation,” which allows the person to go outside herself to serve or cooperate with others (Ferrero and Calderón 2013:536).

Not all developments in organizational theory are encouraging, however. MacIntyre, for one, posits a pessimistic view of the business corporation or firm (MacIntyre 2015). His critique of capitalism is framed in a broader critique of modernity in general, and especially emotivism as “the doctrine that all evaluative judgments and more specifically all moral judgments are *nothing but* expressions of preference, expressions of attitude or feeling, insofar as they are moral or evaluative in character” (MacIntyre 2007: 11–12; Moore 2008: 484). Nevertheless, he makes a positive contribution to the understanding of production within organizations through the idea of “practice.”

A practice is

any coherent and complex form of socially established cooperative human activity during which goods internal to that form of activity are realized because of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity.

(MacIntyre 2007: 187)

Furthermore, a practice “is never just a set of technical skills” (MacIntyre 2007: 193), but it “involves standards of excellence and obedience to rules as well as the achievement of goods” (MacIntyre, 2007: 31). Human work, as a practice, has a dual dimension; it includes external goods, also called “goods of effectiveness,” and internal ones or “goods of excellence” (MacIntyre 1988: 32).

External goods, when achieved, are always an individual’s property, whereas the achievement of internal goods—virtues—is a good for the community that participates in the practice (MacIntyre 2007: 190). Virtue is necessary to achieve the goods internal to practices, as well as to keep a tradition alive. Tradition is built through the historical and social development of human identity

in communities. These social and historical relationships, which influence practices, link virtues with the tradition of a community (MacIntyre 2007: 221). A living tradition continues a not-yet-completed narrative in dialogue with the goods that a community produces and achieves.

Although internal goods such as virtues are the cornerstone of MacIntyre's theory, he is aware that virtues need institutions to survive. For him, the institutional is the realm of external goods—"they are involved in acquiring money and other material goods; they are structured in terms of power and status, and they distribute money, power and status as rewards" (MacIntyre 2007: 194).

Having made this distinction between internal and external realms, MacIntyre turns to managerial effectiveness, referring to it as a "moral fiction" (MacIntyre 2007: 76). This is because it orders means to ends in a bureaucratic, purportedly value-free way—as described by Max Weber: "[m]anagers themselves and most writers about management conceive of themselves as morally neutral characters whose skills enable them to devise the most efficient means of achieving whatever end is proposed" (MacIntyre 2007: 74). MacIntyre's image of the manager is clearly of someone who "treats ends as given, as outside his scope; his concern is with technique, with effectiveness in transforming raw materials into final products, unskilled labor into skilled labor, investment into profits" (MacIntyre 2007: 30). The manager is not concerned with ethics, but rather uses terms such as "good," "right" or "excellence" as manipulative means of persuasion, corrupting practices and treating workers as mere means on the way to fulfilling his interests (Knight 2017: 3, 6).

The key point here is whether the sustenance of institutions may be considered as a practice that contributes to human flourishing and the common good. For MacIntyre, "the common goods of those at work together are achieved in producing goods and services that contribute to the life of the community and in becoming excellent at producing them" (MacIntyre 2016: 170).

MacIntyre's conceptual framework emphasizes the prioritization of internal over external goods in decision-making, to recover the ethical dimension of human activity and for organizations to become "essentially moral spaces" (Beadle and Moore 2011: 103). That means business organizations should pursue both "the excellence of the product or service and the perfection of the practitioners in the process" (Moore 2012: 366). This dual perfection is not only desirable, but also absolutely necessary when considering the ethics of production:

[o]ne who works skillfully and conscientiously according to standards of excellence is acting virtuously. But in acting this way a craftsman makes a product, which is supposed to be a good product. A virtuoso creator of a product that is useless in all respects cannot be credited with virtuous craftsmanship.

(Hartman 2011: 8)

- After the Industrial Revolution, factories became the center of production. The modern division of labor contributed to the development of

manufacturing and mass production, isolating individuals in the performance of simple mechanical tasks. More recently, holistic considerations of human motivation have enriched human work. Despite MacIntyre's pessimism regarding modern productive organizations, he makes space for ethics through the subordination of institutional–external goods—to the internal goods of practice such as the virtues, to promote the common good.

3. Catholic Social Teaching on production

The emergence of Catholic Social Teaching (CST) is related to the defense of workers in late modernity, in the face of capitalism's progress. *Rerum Novarum's* subtitle, "On capital and labor," expresses the idea that social life needed to be interpreted in light of something "new":

...[i]n the vast expansion of industrial pursuits and the marvelous discoveries of science; in the changed nations between masters and workmen; in the enormous fortunes of some few individuals, and the utter poverty of the masses; the increased self-reliance and closer mutual combination of the working classes; as also, finally, in the prevailing moral degeneracy.

(*Leo XIII Rerum novarum (RN) 1891:1*)

Indeed, industrialization had serious consequences for the working class and the concentration of capital in the hands of a few (Benedict XVI, *Deus Caritas Est* (DCE) 2005: 26) threatened social order and peace. Leo XIII believed that the solution was not to choose between private or collective property, but to provide a robust understanding of human work as a personal, human action (Crespo 2013: 125) that takes priority over capital (LE 12).

CST is not against material progress, but it claims that any progress should be human, which is to say that

[t]he fundamental finality of (this) production is not the mere increase of products nor profit or control but rather the service of man, and indeed of the whole man with regard for the full range of his material needs and the demands of his intellectual, moral, spiritual, and religious life.

(*Vatican II, Gaudium et Spes (GeS): 64*)

John Paul II insisted on the proper relationship between capital and work:

the error of early capitalism can be repeated wherever man is in a way treated on the same level as the whole complex of the material means of production, as an instrument and not in accordance with the true dignity of his work.

(*LE: 7*)

This opposes liberal capitalism, which considers the accumulation of capital to be the purpose of production (LE: 8).

In the *Centesimus Annus*, John Paul II continued to reflect on this subordination, highlighting the current importance of “the possession of know-how, technology and skill” (CA: 31). He also advocated that “people work with each other, sharing in a ‘community of work’” (Ibid), for “goods cannot be adequately produced through the work of an isolated individual; they require the cooperation of many people in working towards a common goal” (Ibid). This personalistic approach is, at once, individual and social: “[i]t is his disciplined work in close collaboration with others that makes possible the creation of ever more extensive working communities which can be relied upon to transform man’s natural and human environments” (CA: 32).

Production definitely has a technical side—related to the objective dimension of work—but it also has a moral or subjective dimension that takes precedence (LE: 5–7, 10), giving way to the development of virtues. The “subjective dimension” of work makes reference to “all the internal results, consisting of knowledge, skills, attitudes, meanings, habits and virtues that workers develop in their collaborative entrepreneurial activities” (Sison 2016: 95). John Paul II has emphasized this distinction (LE), as well as the importance of the subjective over the objective dimension:

human activity (action) is simultaneously *transitive* and *intransitive*. It is transitive insofar as it tends *beyond the subject*, seeks an expression and effect in the external world, and is objectified in some product. It is intransitive, on the other hand, insofar as it *remains in the subject*, determines the subject’s essentially human *fieri*. In acting, we not only perform actions, but we also become ourselves through those actions—we fulfill ourselves in them.

(Wojtyła 1993: 265–266)

Since the subjective dimension is more important,

the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a *community of persons* who in various ways are endeavoring to satisfy their basic needs, and who form a particular group *at the service of the whole of society*.

(CA: 35, *emphasis added*)

CST offers orientation in accordance with the truth of man. It sustains that there are no perfect or “finished” models for organizing social life, but “models that are real and truly effective can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social, economic, political and cultural aspects, as these interact with one another” (CA: 43). Hence, CST

has always maintained that justice must be applied to every phase of economic activity, because this is always concerned with man and his needs. Locating resources, financing, production, consumption and all the other

phases in the economic cycle inevitably have moral implications. Thus every economic decision has a moral consequence.

(*Benedict XVI, Caritas in Veritate (CiV) 2009: 37*)

Moreover, John Paul II warns of the “danger of treating work as a special kind of ‘merchandise,’ or as an impersonal ‘force’ needed for production” (Ibid). He also points to the ecological problem as a consequence of industrialization. In *Sollicitudo rei socialis*, he observes that “[a] true concept of development cannot ignore the use of the elements of nature, the renewability of resources and the consequences of haphazard industrialization” (SRS 34).

Similarly, Benedict XVI advocates the protection of the environment through a personalistic perspective, in line with “human ecology” (CA: 38). “It is contrary to authentic development to view nature as something more important than the human person” (CiV: 48). What’s more,

[t]he book of nature is one and indivisible: it takes in not only the environment but also [] human development. Our duties towards the environment are linked to our duties towards the human person, considered in himself and in relation to others.

(*CiV: 51*)

The 2015 publication of Pope Francis’s *Laudato Si’* rallied public opinion on the topic of ecology. He situates the ecological problem on a humanistic plane:

[h]uman beings too are creatures of this world, enjoying a right to life and happiness, and endowed with unique dignity. So we cannot fail to consider the effects on people’s lives of environmental deterioration, current models of development and the throwaway culture.

(*LS: 43*)

An ecological culture is “a distinctive way of looking at things, a way of thinking, policies, an educational program, a lifestyle and a spirituality which together generate resistance to the assault of the technocratic paradigm” (LS: 111). According to Francis, *integral ecology* (LS: 137) demands “an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature” (LS: 139) for present and future generations (LS: 22).

Man is not just the subject and maker, but also “the true purpose of the whole process of production” (LE: 7). Production should be at the service of humanity in a global scale, since:

an interdependent world not only makes us more conscious of the negative effects of certain lifestyles and models of production and consumption which affect us all; more importantly, it motivates us to ensure that solutions are proposed from a global perspective.

(*LS: 164*)

An example consists of

favoring forms of industrial production with maximum energy efficiency and diminished use of raw materials, removing from the market products which are less energy efficient or more polluting, improving transport systems, and encouraging the construction and repair of buildings aimed at reducing their energy consumption and levels of pollution.

(LS: 180)

Thus, we underscore the importance of cooperative work for true integral human development (CiV: 4) and the role of business in achieving the common good

through the production of useful goods and services. In seeking to produce goods and services according to plans aimed at efficiency and at satisfying the interests of the different parties involved, businesses create wealth for all of society [...] creating opportunities for meeting, cooperating and the enhancement of the abilities of the people involved. In a business undertaking, therefore, the economic dimension is the condition for attaining not only economic goals, but also social and moral goals, which are all pursued together.

(CSDC: 338)

- The industrialization process promoted the accumulation of capital, with serious consequences for the working class and for the environment. The purpose of production cannot be the mere accumulation of capital; it is, rather, the promotion of human work as a personal action requiring the cooperation of many towards a common good. Although production has a technical side—related to the objective dimension of work—its moral or subjective dimensions take precedence.

I began this chapter showing how production currently is organized towards the satisfaction of individual and partial interests to the detriment of the common good. This has terrible consequences for the environment, as well as for most workers, who are unable to flourish. After decades of understanding development exclusively as material well-being, some business theorists have started to highlight the importance of understanding deeper human motivations. Thus, the cooperative dimension of work has emerged.

CST defends human dignity and the priority of workers over capital and other external goods, highlighting the need for virtues to attain the common good and integral development. For this to happen, development should be respectful of nature and guarantee that this gift is accessible to all.

4. Adelante Shoe Co. and the promotion of artisanry

Shoes are not my passion. Harnessing the potential of a million individual decisions to improve our world, however, gets me fired up.

Peter Sacco¹

Adelante Shoe Co. is a social enterprise that offers handcrafted shoes made by producers in Guatemala. Adelante is a Spanish word meaning “onwards” and the company certainly embodies that sentiment both literally, by providing comfortable shoes, and figuratively, by attempting to revolutionize the market of socially responsible consumer goods.

It was founded by a Massachusetts native, Peter Sacco, in 2016. Sacco is a young entrepreneur who, while working in Guatemala, established connections with local artisan shoemakers. Impressed by their work and with an eye for a business opportunity, he set out to create a socially responsible company that would market stylish, artisan shoes for US consumers. The company’s goal was to make it easy for the average consumer in the US to “walk the talk” by purchasing shoes that are responsibly crafted and sold.

The artisan sector all over Latin America represents a challenge for economics and society at large. Most artisans come from very poor families that have traditionally been marginalized and live in precarious rural areas beyond the reach of modern power structures and services. They live and operate in an informal subsistence economy, without access to basic banking and business platforms. Mostly working from home, from a young age, their children are taught the family trade (whether as cobblers, weavers, clay makers and so forth.) in the form of a natural apprenticeship. Adelante’s initiative respects artisans’ production process. Besides encouraging artisans to keep production in their homes, Adelante avoids implementing a manufacturing mentality with monotonous, repetitive tasks and instead gives them control over the whole process.

However, with this kind of craftsmanship, very few artisans are able to sell their products at fair prices, corresponding to the work and time required for their production. Bartering is common and encouraged in this informal system. Adelante helps artisans to overcome this limitation by providing resources that guarantee the integrity of the production process, as well as support in terms of budgeting and business organization (for instance, they ensure artisans will not run out of raw materials due to the fluctuating market conditions and sales).

This model highlights the meaning of artisans’ trade as it is continually improved and, in turn, improves artisans themselves, in terms of skills and virtues. Predictability and stability in business allows them to focus on the development of their trade, keeping the tradition alive while making room for innovation. Although it may sound simple, this model has enormous implications for the way we conceive of socially responsible business, as Adelante’s founder states

we want to change the way business is done by treating our craftsmen as partners and paying them fairly for work well done. We are always on the lookout for people who take our mission to heart and are fired up to make meaningful change.²

This startup employs a finance and business development officer, a chief marketing officer and a marketing content manager. Besides the business team, the artisans themselves can be found on the web page (www.adelanteshoes.com).

Adelante's mission is to "make it absolutely effortless to choose a socially responsible pair of shoes without compromising on quality, style or price." The firm is based on a sustainable business model, driven by the desire to uproot entrenched, exploitative production processes, generating systemic social change instead through business. Although Adelante shoes are of great quality, Sacco remarks that, "*the shoes are a vehicle for a simple, powerful idea that can change the world: if business shifts its objective from profit maximization to responsible profit, the private sector can become an unparalleled force for good.*"³

Adelante's goal is to transform the way consumers buy, giving them the possibility of making a social contribution while enjoying a superior product:

Our shoes are a superior quality and we never want to use our social impact model as a crutch. Instead we want our product to speak for itself; customers see the quality and value of our shoes and are sold on it, the social impact is added value to the consumer and more importantly, the craftsmen.⁴

In creating this company, Sacco also found a way to promote responsible leadership. When asked what that leadership means, he answered, "*It means choosing partnership rather than exploitation, and transparency over opacity. It means recognizing that treating foreign workers with respect is more than ethical—it is laying the groundwork for future peace and stability in an increasingly globalized world.*"⁵ Besides maintaining artisan integrity, offering very high-quality products, treating producers with dignity and seeking to make a positive impact in the communities, Adelante is also focused on social inclusion.

Thanks to an agreement with "Serigrafía de la Gringa," a screen-printing social business that works in prisons to provide employment and rehabilitation services, Adelante also contributes to social inclusion. They screen-print their shoe bags in a maximum-security prison for men (mostly former gang members) in Guatemala, and shoe boxes in a Guatemalan women's prison, allowing prisoners to generate income through legitimate employment. By offering an honest job to prisoners, the potential social impact is vast:

If the gang leader continues to lead with this new mindset, he might inspire those around him to change their mindsets as well, potentially 're-branding' the gang's image altogether—moving away from extortion and towards the production of high quality goods.⁶

One of Adelante's most innovative measures corresponds to a new social impact model based on a methodology developed with the help of professors at Tufts University. The "Living Well Line" balances development best practices with community input to define the cost of living well in a community, taking into account regional differences in living standards. Producers come to an agreement with the company on the amount they need to feasibly provide for themselves

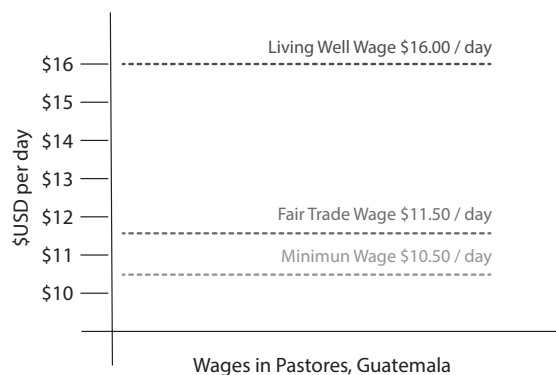


FIGURE 4.1 The living well line.

and their families. This compensation model is flexible in that it reconsiders wages periodically and provides emergency funds in case of need. The *Living Well Line* pays craftsmen a fair price for their impressive work.

The minimum wage in Pastores, Guatemala (where the artisans live) is \$10.50/day; fair trade comes in at only \$1.00 more or \$11.50/day. The *Living Well* wage comes in at \$16.00/day, one and a half times the minimum wage. This salary is directly negotiated with the artisans, who are profoundly aware of the resources required in the production process, and is based on what it actually costs to live well in their communities. Since there are no intermediaries, payments enable craftsmen to invest in the betterment of their families. That parameter is determined by cross-checking Guatemala-specific data from the World Bank's Living Standard Measurement Study with in-person craftsman interviews (Figure 4.1).

They also want their model to be financially transparent, making the internal cost structure public, as shown in Figure 4.2.

In addition to the individual impact of a Living Well Wage, Sacco firmly believes that the best way to promote local development is to reinforce producers in their own communities:

I submit that the best way to galvanize upward mobility in any country is to pay workers enough to consume the goods and services that they define as necessary to live well. That's why Adelante craftsmen play an integral role in defining their own wage in Guatemala and beyond.⁷

Production and trade are at the heart of Adelante's business model, promoting their development through an integral production chain, the Living Well Line, social inclusion measures, showing leadership and innovative ways of contributing to the common good. In this way, Adelante attempts to complement existing business models with an alternative approach that strengthens and organically matures the informal sector, which is key for developing economies.

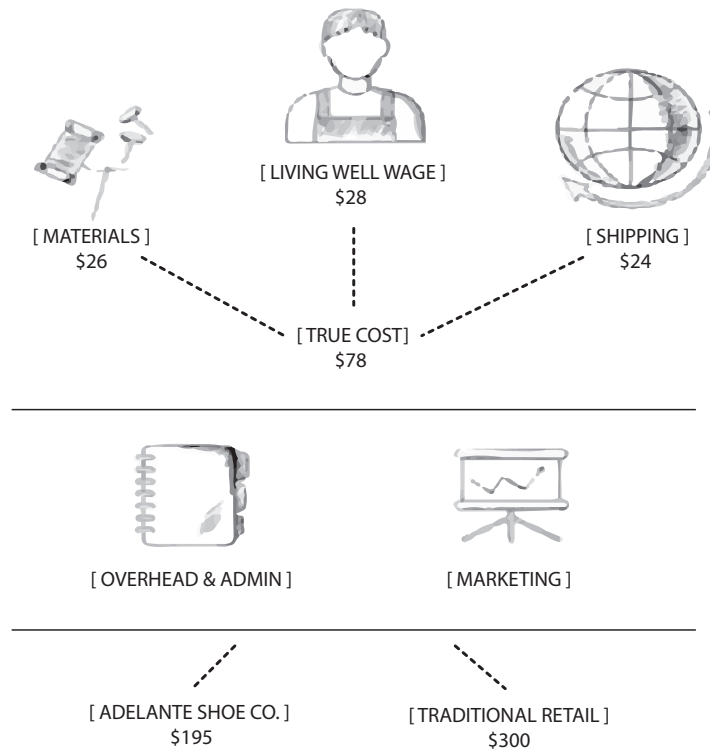


FIGURE 4.2 The innovation management office.

Guide questions

- 1 How is the Adelante business model different from conventional ones?
- 2 Do you think the “Living Well Line” is a realistic compensation mechanism? What obstacles and challenges might its implementation face?
- 3 Can you identify the objective and subjective dimensions of work in the Adelante proposal? How can producers develop internal goods?
- 4 How is a fair price related to the common good? Do you think the best thing that business can do for the community is to offer goods at the minimum price?
- 5 Is the quality of the product important for this business model? Why?
- 6 How does the “Living Well Line” challenge the maximization of profit? How can business firms be persuaded to promote the common good over the maximization principle?

Notes

- 1 Retrieved from blog entry “The Big Idea,” <https://adelanteshoes.com/blogs/news/the-big-idea>, accessed September 27, 2017.
- 2 Retrieved from Adelante web page: “The Adelante Founders Club,” <https://adelanteshoes.com/pages/the-adelante-founders-club>, accessed September 27, 2017.

- 3 Retrieved from blog entry “The Big Idea” (by Peter Sacco), <https://adelanteshoes.com/blogs/news/the-big-idea>, accessed September 27, 2017.
- 4 Retrieved from blog entry “Quality and Social Impact Are Not Exclusive” (by Michael Pelzer), <https://adelanteshoes.com/blogs/news/quality-and-social-impact-are-not-exclusive>, accessed September 27, 2017.
- 5 Retrieved from blog entry “A Deeper Connection” (by Peter Sacco), <https://adelanteshoes.com/blogs/news/a-deeper-connection>, accessed September 27, 2017.
- 6 Retrieved from blog entry “Gangs, Shoe Bags, and Prison Reform” (by Bob Mott), <https://adelanteshoes.com/blogs/news/gangs-shoe-bags-and-prison-reform>, accessed September 27, 2017.
- 7 Retrieved from blog entry “The Big Idea” (by Peter Sacco), <https://adelanteshoes.com/blogs/news/the-big-idea>, accessed September 27, 2017.

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