

Centesimus Annus and Lessons for Modern Organizational Leadership

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Abstract

*Since the issuance of the papal encyclical *Rerum Novarum* by Pope Leo XIII in 1891, Catholic social teaching has delivered a rich means of addressing the ever-changing economic and social landscape by offering timeless and consistent directives to tackle the current issues and challenges of the times. Many view *Centesimus Annus*, issued by John Paul II in 1991 to mark the 100th anniversary of *Rerum Novarum*, as a capstone of the numerous Catholic social teaching encyclicals that came before it.*

There is a body of research indicating that the faith traditions of leaders don't explicitly or knowingly translate into how leaders behave and make decisions. More importantly, the character traits of many great leaders reflect core moral and ethical principles of the world's major faith traditions, whether acknowledged by individual leaders or not. This understanding can lead to greater interest by leaders in the intersection of leadership and faith traditions.

*Citing relevant business case studies, this paper explores some of the indicative and imperative elements of Catholic social teaching, as reflected particularly in *Centesimus Annus*, and their applications for organizational leadership. At the core, is a recognition that many of the mandates embedded in Catholic social teaching embody what it means to be truly human, and are consistent with what modern leadership science studies consistently consider character traits of great leaders. Concepts include human dignity, subsidiarity, the greater good, stakeholder capitalism, and change management. Other concepts include Bernard Lonergan's perspective on general revelation emphasizing the importance of human cognition, and authenticity as a mark of great leaders.*

Introduction

Since the issuance of the papal encyclical *Rerum Novarum* by Pope Leo XIII in 1891, Catholic social teaching (CST) has delivered a rich means of addressing the ever-changing

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economic and social landscapes. By offering timeless and consistent directives, particularly aimed at providing for the most vulnerable and marginalized, the Catholic Church continues to inform social conscience and direct it toward an ethical praxis for modern life.

Many view *Centesimus Annus* (CA), issued by St. John Paul II in 1991 to mark the 100th anniversary of *Rerum Novarum*, as a capstone of the numerous CST encyclicals since Leo XIII's start. This paper briefly explores some of the indicative and imperative elements of CST, as reflected in CA, and their lessons for modern organizational leadership, particularly in the private sector. These elements include the common good, authentic leadership, subsidiarity, solidarity, and social capital. At the core of CST is the principle of *imago Dei*, that all humans are made in the image of God, and are therefore justified in their desire for a free and open society and the ability to express oneself for the greater good of others.

Centesimus Annus: A Brief Overview and Exploration of the Common Good

CA was issued to address specific historical events and social issues during a time of dramatic change on the global stage. The global backdrop in 1991 included an end of the Cold War, dissolution of the Soviet Union, increasing globalization, and a debate over the merits of socialism, communism and capitalism. This backdrop provided an opportunity for a broad recasting of CST in light of these dramatic changes, which had profound impacts on the global economy, including the opening up of new markets and integrating of former communist countries into the global ecosystem. CA was issued in response to many of these challenges and opportunities, calling for broader economic, political and social models based on human dignity, freedom, openness, solidarity, and the common good.

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CA was the first encyclical to include business and association leaders as its targeted audience, making clear the critical connection between religious and temporal spheres, and a call to action for laity. *CA* was written "in response to requests from many bishops, church institutions, and study centers, as well as business leaders and workers, both individually and as members of associations."¹ This inclusion of business leaders is a recognition of the primary arena where the exhortations of CST have the greatest opportunity to manifest themselves. The mutuality and common ground between the two spheres is evident by comparing principles of CST and modern leadership practices. At the core is the recognition that many of the exhortations of CST embody what it means to be truly human and are also consistent with current modern leadership science studies that herald the character traits and practices of our best business leaders. Foundational to this effort is the establishment of what constitutes the ultimate mission of a properly oriented organization, one that embodies a means to the development and fulfillment of the person. This embodiment must be grounded in the principle of *imago Dei* and a naturally resulting mission toward what constitutes the 'common good'.

CST is not an exercise in economics, politics, or sociology. It seeks to set forth the principles required by fidelity to the moral law and to the gospel. With regard to recommendations of specific models of organizational structures and governance, *CA* was clear that "the Church has no models to present,"² but what the Church does offer for markets and enterprises is an "indispensable and ideal orientation,"³ toward the common good. Economic development is best achieved through a system that has as its foundation "human freedom exercised in the economic field,"⁴ including religious freedom, human dignity, economic

¹ John Paul II, *Centesimus Annus*, 1991, 1, https://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html.

² John Paul II, *CA*, 1.

³ John Paul II, *CA*, 5.

⁴ John Paul II, *CA*, 32.

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creativity, and the improvement of the general welfare and common good. While it provides the basic principles that should guide the economic, political, juridical and marketplace practices, it is the citizen participants, those on the playing field of exchange, that are called to make these guiding CST principles a reality. “But as the Second Vatican Council affirmed, social political and economic problems are the special concern of the laity.”⁵ CST offers guardrails, but the special concerns reflect an acknowledgement of the very difficult task of synthesizing moral principles with an ecosystem that requires economic viability, and the ability to generate good ideas and efficiently allocate resources. However, these moral principles and praxis are in no way diametrically opposed. In fact, they are very much aligned and reflect a natural economic cohesiveness that encourages human freedom to flourish and find fulfillment. It is undeniable that with freedom comes unequal outcomes, but this is a natural outcome of a well-ordered free system that properly respects differentiated human talents and initiative.

As part of this pursuit of the common good, individual players and organizations in the temporal sphere do in fact have the capacity and insight to know what is right, practically and ideologically speaking. To make his point, John Paul II quotes from St. Paul that this capacity is written on one’s heart and conscience (Rom. 2:14-15; Gal. 5:22-23).

A systematic approach to this in the context of leadership can be found in Bernard Lonergan's concept of authentic leadership which emphasizes four cognitional operations alongside the theological precepts of being attentive, intelligent, reasonable and good. These collectively lead to intellectual, moral and religious conversion. Experience begins with an awareness and gathering of the information available, making sense of it, coming to judgement and ultimately making a decision to act. The result of Lonergan’s method is reflective of what it

⁵ David J. O’Brien and Thomas A. Shannon, *Catholic Social Thought: The Documentary Heritage* (Maryknoll: Orbis Books, 1992), 6.

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means to be truly human, guided by the intercedence of grace, resulting in better decision making and good leadership. Lonergan says, "...for man's deepest need and most prized achievement is authenticity."⁶

This process of self-transcendence is cognitive but it is in the continuous process of making sense of what we know and then finally making good moral decisions that leadership becomes *authentic*. The result is a leadership style and effectiveness that reflects, at least in part, God's revelation, including a respect for human dignity and concomitant hope for the personal fulfillment of those that we lead. In response to this authenticity, persons are inspired and naturally drawn to respect these leaders because they exemplify what we desire to become—truly human. These leaders see the organization's mission, practices, culture, success, etc. as a means to personal fulfillment for those that they lead.

Of course, this authenticity is a question of degree. Those that possess these qualities are themselves living witnesses to the gospel of Christ whether they consider themselves Christian or not (cf. Rom 2:15). This would not be dissimilar to Karl Rahner's concept of the anonymous Christian, where persons live in accordance with Christian values and love, regardless of their explicit faith. In this context what we see in many of our best organizational leaders is the embodiment of what it means to be truly human, and their powerful examples positively shape the missions and cultures of the organizations they lead.

For Lonergan, the fruit of authenticity is progress while the fruit of inauthenticity is decline.⁷ Within Lonergan's framework, prolonged and sustained attentiveness involves a heightened awareness of current events, while intelligence consistently envisions opportunities

⁶ Bernard J. F. Lonergan, *Method in Theology*, 2nd ed. (New York: Herder & Herder, 1973), 254.

⁷ Bernard Lonergan, "The Dialectic of Authority," in *Bernard Lonergan, A Third Collection*, ed. Frederic Crowe (Mahwah: Paulist Press, 1985).

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for improvement. Reasonableness remains receptive to change and prudence, reasoned judgment, assesses advantages and disadvantages. Progress is proportional to the extent to which these theological precepts are actively cultivated. Conversely, inauthentic leadership manifests through practices such as favoritism, suspicion, discord and animosity, resulting in a fractured community where shared experiences become battlegrounds for hostility rather than common ground for mutual understanding.⁸

Authentic leadership reflects what it means to be truly human, and while the private sector doesn't refer to this in religious terms since it is generally considered taboo in the boardroom, there are undeniable consistencies between the personal characteristics of many of our most revered business leaders and the common moral foundations of most faith traditions. In current popular leadership parlance, this can be referred to as self-awareness, or emotional quotient (EQ) versus intellectual quotient (IQ).

According to CA, authentic leadership manifests itself in the pursuit of the common good, a term it uses 15 times. But what constitutes the common good? In his book *The True Wealth of Nations*, Daniel Finn uses the idea of "sustainable prosperity."⁹ As Finn puts it, "...the end of social order is the person,"¹⁰ or as Jacques Maritain said, "the common good is common because it is received in persons."¹¹ For Michael Himes and Kenneth Himes in their book *Fullness of Faith*, "the goal of society is to develop and enrich the individual human person."¹² An indispensable component of the common good is the responsibility of generating necessary

⁸ Lonergan, "The Dialectic of Authority," 8.

⁹ Daniel Finn and Vincent D. Rougeau, *The True Wealth of Nations: Catholic Social Thought and Economic Life* (Oxford: Oxford University Press, 2010), 38.

¹⁰ Finn and Rougeau, *The True Wealth of Nations*, 39.

¹¹ Jacques Maritain, "The Person and the Common Good," trans. John J. FitzGerald, *The Review of Politics* 8, no. 4 (1946): 436.

¹² Michael J. Himes and Kenneth R. Himes, *Fullness of Faith, The Public Significance of Theology* (Mahwah: Paulist Press, 1993), 38.

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resources for the care of the marginalized; providing for the preferential option for the poor. But where do these resources come from?

Paul Romer is an American economist who won the 2018 Nobel Prize in Economics for his work on technological change and endogenous economic growth. In his 1990 essay, “The New Economics of Growth,” Romer famously argued that the total of economic resources is not a fixed pie, or a zero-sum game, but rather can be made larger through technological innovation. Economic growth is not limited by the availability of resources but by our ability to innovate and create new ideas.¹³ This idea of a bigger pie as an expansion of available capital resources is a critical aspect of the unity between an environment that fosters free human creativity and the resulting improvement in the common good. Romer sees a properly ordered economy as a huge innovation discovery machine founded on human creativity that results in expanding economic resources for the common good.

Much of the Church’s historical moral teaching regarding wealth and possessions is based on an economic system that was largely agrarian, where the means to wealth were based on land ownership, natural resource extraction and optimization. In this structure there was a stronger argument for a zero-sum structure in that one’s gain, such as more land, was another’s loss. Modern economics, however, is based on productivity, ideation and exchange and therefore is not zero-sum and does in fact allow for a positive-sum game. Creating wealth or affluence, not solely at the expense of another, increases the overall size of the economic pie, creating resources that are thereby available for potential distribution to others. While the ongoing distribution of these gains via tax and transfer payments, etc. reflects political and economic

¹³ Paul Romer, “Endogenous Technological Change,” *Journal of Political Economy* 8 (1990): S71–102.

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tension, as acknowledged in *CA*, the increase in resources or general economic welfare, creates more opportunities for the purpose of distributive justice.

A prime example of technological innovation and its contribution to expanding the overall economic output is the adoption of the three-field agricultural system in medieval Europe. The increased productivity, or yield, not only catered to the needs of a growing population but also generated surpluses. These surpluses, in turn, facilitated the specialization of labor, leading to lower production costs and greater affordability. Additionally, the surplus output played a pivotal role in the development of urban centers, away from the farms, serving as key contributors to improved communication, trade and economic growth.

As one measure of economic prosperity, the correlation between the common good, or general welfare of any society, and worker productivity is well established in modern economics. As a relatively recent example, the 2012 McKinsey Global Institute report, *The Social Economy: Unlocking Value and Productivity Through Social Technologies*, found that countries with higher levels of general welfare, as measured by the Social Progress Index (SPI), also tend to have higher levels of productivity. The report found that a one-point increase in the SPI is associated with a 0.5 percentage point increase in gross domestic product per capita growth.¹⁴ Higher productivity leads to increased output and national income, which fuels economic expansion, more employment opportunities, higher wages and improved living standards.

An example of this is found in Frederick Winslow Taylor's 1910 article, "The Principles of Scientific Management."¹⁵ In the 1840s, cotton weavers in Manchester, England, opposed the new power looms that threatened their jobs, by breaking into factories and attempting to destroy

¹⁴ Michael Chui et al., "The Social Economy: Unlocking Value and Productivity Through Social Technologies" (McKinsey & Company, 2012), <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-social-economy>.

¹⁵ Cf. Walter E. Natemeyer and Paul Hersey, *Classics of Organizational Behavior*, 4th ed. (Long Grove, IL: Waveland Press, 2011).

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them. Ultimately, the introduction of power looms into the cotton industry significantly increased worker productivity and the number of jobs. Within 50 years of the introduction of the new technology, the number of weavers employed soared from 5,000 to over 250,000. Furthermore, this led to the democratization of cotton garments, making them more affordable and therefore accessible to the masses. Moreover, the overall result was an expansion of the economic pie.

Today, we are just beginning to see major productivity gains from new technologies like generative artificial intelligence. For example, many studies suggest that the sizable productivity gains already achieved from artificial intelligence are small in comparison to what is to come. “As tools using advances in natural language processing work their way into businesses and society, they could drive a 7% (or almost \$7 trillion) increase in global GDP and lift productivity growth by 1.5 percentage points over a 10-year period.”¹⁶

Contemporary leadership science advocates for a leadership style that, while not explicitly religious, is in many regards consistent with CST, placing human dignity at its core. *CA* reminds us of CST’s call to action and that “what Sacred Scripture teaches us about the prospects of the Kingdom of God is not without consequences for the life of temporal societies, which, as the adjective indicates, belong to the realm of time, with all that this implies of imperfection and impermanence.”¹⁷ This reminder involves acknowledging the prerequisites for a dignified society, correcting deviations and fortifying the commitment to pursue goodness. Persons, particularly those of goodwill, are encouraged to collaborate in integrating the principles of the Gospel into the temporal sphere.

¹⁶ Joseph Briggs, “Generative AI Could Raise Global GDP by 7%” (Goldman Sachs, 2022), <https://www.goldmansachs.com/intelligence/pages/generative-ai-could-raise-global-gdp-by-7-percent.html>.

¹⁷ John Paul II, *CA*, 25.

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In *Gaudium et Spes*, the Second Vatican Council also emphasized the significance of secular work for lay people, urging Christians to emulate Christ's example as a craftsman. The document encourages pride in integrating daily activities—in human, domestic, professional, scientific, and technical realms—with religious values.”¹⁸

What follows is a brief exploration of some of the principles and resulting imperatives of CA and their oftentimes endemic orthopraxis in business leadership practices. Perhaps more importantly, these discussions evidence the manifestations of CST in the real economy where it matters most. Studies have shown that most business leaders do not admit to their religious traditions having a bearing on their day-to-day decision-making, but for many, their actions do reflect CST teachings. “They show that the requirements of the law are written on their hearts, their consciences also bearing witness, and their thoughts sometimes accusing them and at other times even defending them,” (Rom 2:15). John Paul II understood this concordance between good religion and good business, which is reflected in the confidence of his exhortations to the laity to act in accordance with their hearts in the daily pursuits of commerce and exchange. Andreas Widmer offers a distinctive perspective, having served as a young Swiss Guard to John Paul II before founding and leading his own successful company as CEO. He claims that “John Paul’s influence makes me understand that business and faith go together—they are not opposed to each other. Business can be a wonderful school of virtue and faith. What’s more, faith and virtue make a business and the economy truly prosperous.”¹⁹

¹⁸ Second Vatican Council, “Pastoral Constitution on the Church in the Modern World *Gaudium Et Spes*,” December 7, 1965, 1, https://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_cons_19651207_gaudium-et-spes_en.html.

¹⁹ Andreas Widmer, *The Pope and the CEO: John Paul II’s Leadership Lessons to a Young Swiss Guard* (Steubenville, OH: Emmaus Road Publishing, 2011), 90.

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Subsidiarity

Articulated in *Rerum Novarum*, the principle of *subsidiarity* holds that social problems should be solved at the lowest possible level of society, where people are most directly affected by them. One of the clearest articulations of subsidiarity comes from Pope Pius XI in *Quadragesimo Anno* in 1931:

Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do.²⁰

While CST relies heavily on this principle to emphasize the need for restraint on the part of the state, and especially in the context of economic centralization and statism, subsidiarity is just as applicable to organizational management with its practical business implications. A more decentralized organizational structure allows for greater autonomy, affording increased freedom to take risks which is a critical aspect of innovation. Furthermore, it promotes the development of strong leaders due to the valuable leadership opportunities experienced earlier in their careers.

In their best-selling 1990 book, *Humanocracy*,²¹ Gary Hamel of the London Business School and Michele Zanini make a passionate plea for modern organizations to replace overly centralized and ossified bureaucracies with decentralized and more autonomous leadership structures. They achieve this by prioritizing human capital. A top-down, rule-choked management structure crushes innovation and human creativity, whereas employing the principle of subsidiarity promotes a more engaged and motivated workforce, driving greater innovation and long-term organizational success.

²⁰ Pius XI, "Quadragesimo Anno," 1931, 79, https://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html.

²¹ Gary Hamel and Michele Zanini, *Humanocracy: Creating Organizations as Amazing as the People Inside Them* (Boston: Harvard Business Review Press, 2020).

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Harvard Business Review's coverage over the years of decentralized leadership is positive and optimistic.²² On a more pragmatic level, these articles highlight the benefits of decentralized leadership for employees, such as increased autonomy and flexibility, as essential structural elements for companies to thrive in today's rapidly changing world. To paraphrase Gary Hamel of the London Business School, a decentralized organizational structure can promote an organizational environment that empowers employees at all levels to make decisions and take action. This can lead to faster decision-making, more creativity, and better customer service.²³

As an example, Spotify Corporation, currently one of the world's largest music streaming service providers, is known for its decentralized organizational structure including small, cross-functional teams called 'squads.' Squads are autonomous and have the authority to make decisions about their work, without having to go through a centralized bureaucracy. According to Daniel Ek, Spotify's founder and CEO, "we believe that autonomy and empowerment are essential for innovation. When people feel empowered to make decisions, they are more likely to take risks and try new things. This is how we create new products and features that our users love."²⁴

²² Ronald A Heifetz and Donald L Laurie, "The Work of Leadership," *Harvard Business Review* 75, no. 1 (1997): 124–37; Deborah Ancona, Elaine Backman, and Kate Isaacs, "Nimble Leadership," *Harvard Business Review* 97, no. 4 (2019): 74–83; Steve Glaveski, "How DAOs Could Change the Way We Work," *Harvard Business Review Digital Articles*, April 7, 2022, <https://hbr.org/2022/04/how-daos-could-change-the-way-we-work>.

²³ Cf. Gary Hamel, *The Future of Management* (Boston: Harvard Business School Press, 2007).

²⁴ Alexandra Alter and Tripp Mickle, "Spotify Gave Subscribers Music and Podcasts," *The New York Times*, October 3, 2023, <https://www.nytimes.com/2023/10/03/technology/spotify-audiobooks.html>.

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Solidarity

Solidarity is the principle that all people are connected in a shared human family, and that we have a moral responsibility to care for one another and work together for the common good. *Rerum Novarum* uses the term *friendship* as a reference to its use in Greek philosophy. *CA* cites *Rerum Novarum*'s use in reference to the state's role in pursuing the common good, particularly the preferential option for the poor. A more complete explanation of this virtue is provided by Charles E. Curran and Kenneth R. Himes:

It is above all a question of interdependence, sensed as a system determining relationships in the contemporary world, in its economic, cultural, political and religious elements, and accepted as a moral category. When interdependence becomes recognized in this way, the correlative response as a moral and social attitude, as a "virtue," is solidarity.²⁵

CA makes the connection between theory and practice with an inclusive idea that can be described as 'participatory collaboration,' which acknowledges and respects a broader set of stakeholders than just the owners of capital. This results in a long-term value creation proposition for a wider spectrum of people and communities. In the context of the emerging idea of modern stakeholder capitalism, John Paul II puts it succinctly:

In fact, 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.²⁶

Solidarity reminds us we are all interconnected and interdependent, and that each one of us has a moral responsibility to care for one another, especially the poor and marginalized. It is rooted in

²⁵ Charles E. Curran, Kenneth R. Himes, and Thomas A. Shannon, *Modern Catholic Social Teaching: Commentaries and Interpretations*, ed. Kenneth R. Himes, 2nd ed. (Washington, DC: Georgetown University Press, 2018), 440.

²⁶ John Paul II, *CA*, 35.

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the Gospel message of love and compassion: “Truly I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me” (Matt 25:40).

For many modern leadership teams, stakeholder capitalism is the developing consciousness of an actionable responsibility toward a broader group beyond just the owners or shareholders. Proponents of stakeholder capitalism argue that organizations that embrace this broader view of social responsibility will outperform their peers that do not.

Freedom of Association and the Servant Leader

One manifestation of the principle of subsidiarity is found in the human right to freedom of association. *CA* uses the term *association* 26 times. It states, “acting either as individuals or joined together in various groups, associations and organizations, these people represent *a great movement for the defense of the human person* and the safeguarding of human dignity.”²⁷ For John Paul II, who was writing in the context of an ongoing free versus state-centered economic system debate, people are social beings who will not find fulfillment by the state alone. Rather, people find fulfillment in a variety of intermediary groups including the family, and economic, social, political, and cultural groups. For Leo XIII, in the 19th Century, freedom of association went beyond unionization, and reflected the necessity of social communication with a collaborative and participatory goal in mind. In this we begin to see the emerging concept of the modern business best-practice of the *servant leader*, which is also grounded in the Gospel. To paraphrase Mark 10:42-45, those who exercise leadership should do so with an eagerness to serve, not to lord over others.

²⁷ John Paul II, *CA*, 3.

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Robert K. Greenleaf is credited with popularizing the concept of servant leadership in modern organizational science. He first introduced the term in his 1970 essay, “The Servant as Leader,” in which he argued that leadership is not about power or position, but rather about service and caring for others. He believed that true leaders are those who put the needs of others first and who empower others to reach their full potential.²⁸ According to Greenleaf, “the servant leader is a builder of community. He or she creates an environment where people feel valued, respected, and trusted.”²⁹ Of course, Jesus is the ultimate servant leader. While Greenleaf never specifically referenced Jesus, modern leadership science sings the praises of successful business leaders who embody the very characteristics of a servant leader. However, because of the taboo nature of religion in boardrooms, including rising secularism and competing sectarianism, modern leadership science consistently avoids a connection to religion. Nevertheless, the servant leader principle is consistent with the Church’s theology of the person at its most fundamental level.

Social Capital

Social capital refers to the intangible assets of engagement for enjoyment, commerce, politics, etc., to accomplish goals more efficiently. Today, good leaders fully engage their organizations in managing the human capital aspect of their business under the headings of social and human capital practices that reflect CST’s fundamental concept of *imago Dei*. According to Robert Putman, a Harvard political scientist, social capital “refers to features of social

²⁸ Robert K. Greenleaf et al., *The Servant-Leader Within: A Transformative Path* (New York: Paulist Press, 2003).

²⁹ Robert K. Greenleaf and Larry Spears, *Servant Leadership: A Journey into the Nature of Legitimate Power and Greatness* (New York: Paulist Press, 2002), 21.

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organizations such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit.”³⁰

While the concept of social capital is not new, the practice of promoting it in organizations and investing in it has become a best practice for good leadership teams and is consistent with CA’s and CST’s broader support of solidarity. The book *Good Company: How Social Capital Makes Organizations Work* by Don Cohen and Laurence Prusak provides several examples of how organizations have benefitted from investing in social capital. For example, the telecommunications company 3Com created a corporate culture of trust and reciprocity by encouraging employees to share ideas and collaborate on projects. This collaboration led to a number of new product innovations, such as the PalmPilot.

The increasing importance of social capital has expanded under the modern term *human capital* which refers to the knowledge base, skills, information exchange, ideation and other attributes that persons utilize creatively to generate economic value. The purpose is the acknowledgment of the changed nature of the modern work environment which calls for higher-skills to provide services and technological development. The term was popularized by economists Gary Becker and Theodore Schultz in the 1960s and 1970s and it has since become a staple of discussions about economic development, labor markets, and education policy. It is essentially the idea that people invest in themselves to enhance their productivity and contribute to economic development through education, training, and experience. According to Gary Becker, “schooling, a computer training course, expenditures on medical care and lectures on the

³⁰ Robert Putnam, “Bowling Alone: America’s Declining Social Capital,” *Journal of Democracy* 6, no. 1 (1995).

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virtues of punctuality and honesty are also capital in the sense that they improve health and raise earnings, or add to a person's appreciation of literature over much of his or her lifetime."³¹

Today, good leaders fully engage their organizations in managing their human capital under the headings of social and human capital practices that reflect CST's fundamental concept of solidarity. Human dignity requires talent management that recognizes the potential of each person's special talent and organizations' obligations of developing those talents and the fulfillment of the entire person. This is done in the larger context of free and transparent communication, and freedom of association both within and outside the organization.

Malden Mills, based in Lawrence MA, was a state-of-the-art producer of high-quality polar fleece used in cold-weather garments. In 1995, a fire destroyed the Malden Mills factory along with all the manufacturing equipment. Rather than ending the employment of its 3,000 workers, CEO Aaron Feuerstein announced that he would continue to pay full salaries while the company designed and constructed a new factory. Feuerstein's investment in his company's social capital in this instance reflects the consistency and mutuality of humaneness and good business. He took care of his most valuable asset, his people, while ensuring he had the needed workforce to operate the new factory once it was built.

Conclusion

If CST is the effort to shape the conscience of the world and to make the Gospel present, particularly for the sake of the oppressed and marginalized, it is impossible to ignore the call for ongoing change. *CA* refers to new things, the meaning of *Rerum Novarum*, several times in the

³¹ Gary S. Becker, *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*, 3rd ed. (Chicago: The University of Chicago Press, 1994), 15–16, 237.

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context of needed changes in the economic and political spheres. “That *the spirit of revolutionary change* which has long been disturbing the nations of the world should have passed beyond the sphere of politics and made its influence felt in the related sphere of practical economics is not surprising.”³²

The 2000 Harvard Business Review article, “Cracking the Code of Change,” speaks to the ongoing necessity for change and the strategies to effectively lead change for organizational survival in a fast-changing modern economy:

The new economy has ushered in great business opportunities-and great turmoil. Not since the Industrial Revolution have the stakes of dealing with change been so high. Most traditional organizations have accepted, in theory at least, that they must either change or die.³³

The ability of organizational leaders to see and effect needed changes is essential to their survival, particularly in the business world, where internal and external forces constantly present existential risks and opportunities requiring speed and organizational agility. Modern business leaders must effectively manage change by creating a clear vision, involving employees, providing training and support, monitoring progress, and celebrating successes.

What does our faith and particularly the Holy Scripture teach modern leaders about change management, and are there consistencies between modern principles of change management and Scripture that can help guide leaders endeavoring to effect change? Christ is the ultimate change agent and his twelve disciples changed the world. Paul’s letter to the Romans is arguably the most important letter in history and its structure and technique offer valuable lessons in effective communication calling for change and unity in the face of seemingly overwhelming challenges of competing organizational sects, power struggles and inextricable

³² John Paul II, *CA*, 5.

³³ Nitin Nohria and Michael Beer, “Cracking the Code of Change,” *Harvard Business Review* 78, no. 3 (2000): 133–41.

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traditions. These are common issues for all organizations as they are constantly experiencing the challenges and opportunities that come with change.

The story of the road to Emmaus in Luke is a powerful example of Jesus' leadership style and His ability to inspire and engage others in profound change. The story offers powerful lessons for leaders trying to effect change. Two disciples are walking to the village of Emmaus, feeling distraught and confused after Jesus' crucifixion, and the seeming soul-crushing end of their movement. Jesus joins them on their journey, at first feigning ignorance of the recent events, before ultimately revealing his true identity and the opportunity for conversion or change. Jesus literally and metaphorically embodies the saying, 'meet people where they are,' a classic principle of good change management. Instead of remaining distant, Jesus chooses to accompany the two disciples on their journey and engage with them on their level, meeting them in their state of sorrow and confusion. Additionally, by first citing ancient scripture, Jesus also effectively bridges the gap of understanding between the old and the new, easing the transition to a new era. He finally unveils the new revelations in the context of the old through the act of breaking bread over dinner. Leaning in on their more familiar traditions, while revealing a dramatically new way forward, Jesus reflects a familiar character trait practiced by effective leaders seeking to inspire change in others.

This paper has attempted to draw out some of the practical modern leadership lessons and concepts from *CA* including common good, subsidiarity, solidarity, and social capital. These are foundational principles of CST that are reflected in every Catholic economic encyclical since *Rerum Novarum*. These foundational principles are explored in the context of modern organizational leadership science that promotes these very same principles but under the secular methodologies of communication. I have attempted to display the consistency between good religion and good business, and their mutual interplay. Organizations and senior leadership teams

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who embrace these foundational principles based on basic human dignity and what it truly means to be authentically human are more likely to have greater long-term success for all of their stakeholders compared to their peers.

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