Prudence in Management and Economic Wisdom

Virtues and Vices in Economics and Business
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Catholic University of Leuven
Prudence is lost in today’s economic and business practices which generates enormous financial loss, human suffering and environmental damage.
Prudent banks

RBC Royal Bank of Canada

Svenska Handelsbanken

Grameen Bank

Triodos Bank

Make your money make a difference
Prudence and Wisdom

„the application of successful intelligence and creativity toward the common good through a balancing of intrapersonal, interpersonal, and extrapersonal interests over the short and long terms.”

(Sternberg, R. J. 2003)
Anti-Wisdom

Mainstream economics and business neglect the common good, consider only monetary values, disregard non-market stakeholders, and discount the future.
Holistic value creation

Inventing and realizing actions which serves the common good through balancing values across diverse stakeholders and time perspectives.
\[ V(A) = VA(S_j, T_{short}), \quad VA(S_i, T_{long}) \]

\[ VA(S_1, T_{short}), \quad VA(S_1, T_{long}) \]

\[ VA(S_n, T_{short}), \quad VA(S_n, T_{long}) \]
Prudent management intends to produce **value** for all the stakeholders over time in a **balanced** way.

$$\max \mu \sum V(A) / n$$

where $\mu$ is the measure of the coherence
We need leaders who are committed to the common good and create multiple balances among intrapersonal, interpersonal, and extrapersonal interests over time.
Paul Polman, CEO of Unilever
The virtue of prudence is an intellectual aptitude that enables us to make judgments that are ordered to our proper end which is the human good.
Prudence in management is needed more than ever before
Thank you!