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# **Prudence in Management and Economic Wisdom**

**Virtues and Vices in Economics and Business**  
**June 19 – 20, 2015**  
**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



Svenska  
Handelsbanken



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# 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.

**VA(S1, Tshort), VA(S1, Tlong)**

**V(A) = VA(Sj, Tshort), VA(Si, Tlong)**

**VA(Sn, Tshort), VA(Sn, Tlong)**

# Prudent management

intends to produce **value** for **all the stakeholders** over time in a **balanced way**.

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

where  $\mu$  is the measure of the coherence



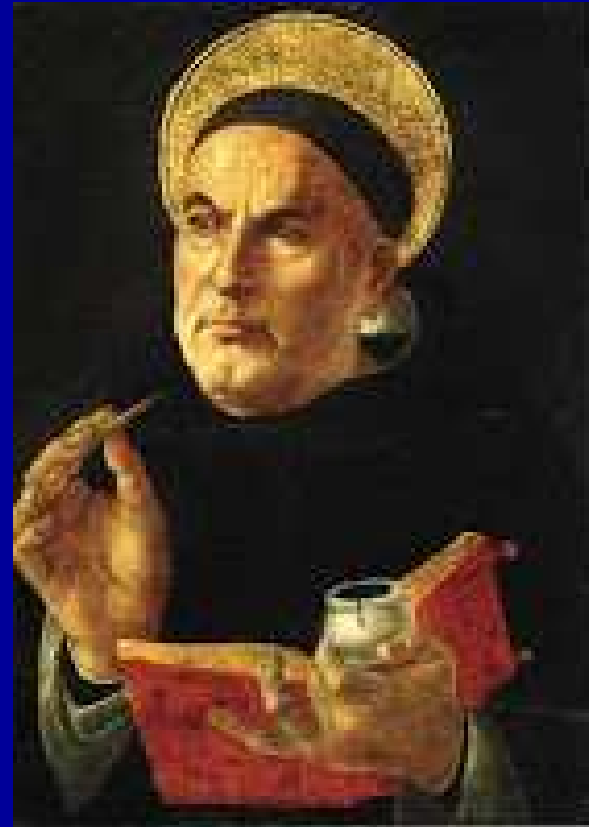
**We need leaders who are committed to the common good and create multiple balances among intrapersonal, interpersonal, and extrapersonal interests over time.**

# Paul Polman, CEO of Unilever



# Thomas Aquinas

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!**