

INTEGRAL ECOLOGY, CORPORATE GOVERNANCE AND EDUCATION¹



<https://doi.org/10.56238/arev7n4-101>

Submitted on: 03/09/2025

Publication date: 04/09/2025

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ABSTRACT

Socio-environmental challenges are imposed on today's society. In light of this, the encyclical *Laudato Si'* exhorts humanity to diminish its causes and to take care of our common home. To this end, the contribution of companies is essential. In this context, this work aims to analyze, in the light of the recommendations of integral ecology, the roles played by corporate governance and education. For this purpose, the study conducts a literature review based on contributions from theology and administration. The analyses show that companies are, in general, run according to the principles of essentially financial governance, which favors immediacy and the maximization of shareholder wealth. In addition, the current model of professional education has contributed, above all, to maintain and strengthen this mode of management. It is therefore urgent to develop and spread a new mentality so that integral ecology becomes a reality and the human being can develop fully, respecting his fellow human beings and nature.

Keywords: *Laudato Si'*. Integral ecology. Corporate governance. Education.

¹ Article initially published in the Annals of the XVII SEFOPER - National Seminar for Teacher Training for Religious Education (Florianópolis, 2024).

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INTRODUCTION

Humanity is faced with enormous environmental and social challenges. Through the encyclical *Laudato Si'*, published in 2015, Pope Francis offers relevant contributions to facing these problems, notably in terms of diagnosis, reflections in the light of the Gospel and possible paths to follow, among which education stands out. Another relevant contribution of the encyclical, its very heart (Zampieri, 2016), refers to the concept of integral ecology presented in chapter IV (n. 137-162), through which human beings are exhorted to modify the way they relate to each other and to the environment. This is because, according to Francisco (2015, n. 13), moving in this direction is the foundation for the construction of a "sustainable and integral development".

The contribution of businesses is indispensable and urgent to give concreteness to the recommendations of the encyclical *Laudato Si'* and, more precisely, of integral ecology. This need can be justified by the fact that companies are directly or indirectly implicated in the great challenges that afflict humanity, especially because of the negative externalities resulting from their activities. Moreover, their decisions influence the choices available to people. Hence the responsibility and relevant role of companies in the search to solve environmental and social problems (Fitch, 1976; Garnett; Balmford, 2022).

From this perspective, corporate governance is equally essential, insofar as its attributions concern the way in which companies are structured, managed and controlled (Cadbury, 1992; Shleifer; Vishny, 1997; Gillan, 2006; Denis, 2016; Castañer *et al.*, 2022; Jatana, 2023; Al-Faryan, 2024) with a view to achieving the intended results. In fact, it is up to governance to indicate the path to be followed and monitor the company's path towards the objectives set. According to Pérez (2003, p. 23), it works as a kind of "management of management". This is a theme that, since the 1980s, has gained more and more importance from the studies of Jensen and Meckling (1976) and Williamson (1975) on the theories of agency and transaction costs, respectively, which lie at the base of the principles of corporate governance.

That said, this work aims to analyze, in the light of the recommendations of integral ecology, the role played by corporate governance in the scope of companies, as well as that of professional education as responsible for the training of new staff for the exercise of managerial functions in different organizations. In order to achieve this intent, the work develops a literature review based on contributions from administration and theology. In the field of management, studies related to corporate governance, its basic theories and its

preponderant modes are used. With regard to theology, in addition to biblical excerpts, the study also uses documents from the Magisterium of the Catholic Church.

In terms of organization, this work comprises four sections. The first is this introduction. The second deals with the theoretical foundation of the study, covering the following contents: the concept of integral ecology of *Laudato Si'* and its main recommendations in the field of "sustainable and integral development" (Francisco, 2015, n. 13); corporate governance, its objectives and most common modes; and the role played by the current model of professional education. In the third section, the main results of the research are presented and discussed. The fourth section corresponds to the final considerations. Finally, the references used to carry out the research are listed.

THEORETICAL FOUNDATION

The encyclical *Laudato Si'* exhorts humanity to fight for the solution of the serious social and environmental problems that plague it and to care for our common home. To this end, it carries out a robust diagnosis in which it points out the main causes, develops a reflection in the light of the Gospel of creation and, above all, provides guidance in relation to possible ways out of the current state of degradation, among which education stands out.

According to the aforementioned encyclical, the human being himself is at the root of the aforementioned problems, especially because of the "disordered anthropocentrism" (Francisco, 2015, n. 118) and the "techno-economic paradigm" (Francisco, 2015, n. 53) rooted in the heart of society. Guided by such paradigms, human beings, unlike their original vocation and the mandate they have received, consider themselves the lord of creation, subduing and exploiting it as if it were an inexhaustible source of resources and inputs to feed their desires and needs, materialized in uncontrolled consumption.

In view of this, what can be seen is the predominance of a "cosmology of the conquest, domination and exploitation of the world", instead of a cosmology that values "care", the "intrinsic recognition of the value of each being", the "respect for all life and the rights and dignity of nature" (Boff, 2011, p. 26-27). For the sake of the "common good" (Francisco, 2015, n. 156) and "intergenerational justice" (Francisco, 2015, n. 159), it is urgent that human beings significantly modify their way of relating to each other and to nature.

And this is precisely the proposal of *Laudato Si'* through the concept of integral ecology. The goal is for the human being to develop as a whole, in all dimensions, including human and social dimensions. Thus, in addition to the economic dimension, it is equally important that he has the opportunity and the possibility of achieving successes in the environmental, social, cultural, spiritual, daily life, as well as other dimensions. From this perspective, each dimension must therefore be seen as capital, that is, something that is fundamental and indispensable for the formation, development and fulfillment of the human being in its entirety.

Giving concreteness to the recommendations of integral ecology depends, primarily, on the role played by companies, which are directed and controlled through a structure called corporate governance (Cadbury, 1992; Shleifer; Vishny, 1997; Jatana, 2023; Al-Faryan, 2024). This has been developed since the 1980s based on the propositions of theories of agency (Jensen; Meckling, 1976) and transaction costs (Williamson, 1975), which essentially and respectively address the problems associated with informational asymmetry and the potential for opportunistic behavior in the context of relations between owners (shareholders in the corporation) and directors (Coriat; Weinstein, 1995) in the face of the separation between ownership and control (Berle; Means, 1932).

In view of this, it is necessary to adopt mechanisms of protection, control and incitement (Gillan, 2006; Di Vito; Trottier, 2022; Jatana, 2023) to protect financial capital (belonging to the owners) from expropriation attempts perpetrated by managers or administrators. It is these mechanisms that corporate governance uses. The "parable of the unfaithful steward" (Bible, 2018, p. 1655), in the pericope of Lk 16:1-8, illustrates and allows us to understand the nature of the problems to which the theories that underlie its structure refer (Pereira Filho, 2024).

Corporate governance was essentially designed for the purpose of protecting and safeguarding the interests of the owners or shareholders whose capital is made available to the directors in the conduct of the company's business. Through the aforementioned mechanisms, corporate governance aims to align the interests of the respective parties (owners and managers) with the aim of reducing the costs and losses arising from conflicts between them and, consequently, increasing the profitability of invested capital (Shleifer; Vishny, 1997; Denis, 2016; Bhagat; Bolton, 2019). Its main objective is therefore financial in nature.

According to Brédart (2015), there are two main modes of corporate governance. The first is shareholder-oriented. In turn, the second focuses on the set of stakeholders in a company's activities, including customers, suppliers, employees, the local community, financiers, and investors. In short, all those who impact the activities of a company are impacted by them or have some kind of interest in relation to its business (Freeman, 1984).

The hegemonic mode of corporate governance is the one that is oriented to shareholders (Lund; Pollman, 2022). It is of Anglo-Saxon origin, being more accustomed to investor capitalism (Rajan; Zingales, 2003), and is intended to protect financial capital with a view to maximizing the profitability of investments according to the risk to which they are exposed (Denis, 2016; Bhagat; Bolton, 2019; Lund; Pollman, 2022). Its construction rests on the company model of the agency theory (Jensen; Meckling, 1976), according to which the company is owned by the shareholders and consists of an intertwining of contracts and conflicting relationships. It is a mode of governance that has a relatively well-consolidated accounting model (International Financial Reporting Standards) and has, according to Alibhai *et al.* (2023), the purpose of ensuring the disclosure of financial data and information to support the economic decision-making of capital providers.

The second main mode of corporate governance is focused on *stakeholders*. Its construction rests on the theory developed by Freeman (1984) about stakeholders. The business model that is at its base is the one resulting from a "social construction" (Labie, 2005, p. 109), and is therefore of a more plural nature. For this mode of governance, the company's objective must be to "deliver sustainable value to its various *stakeholders*" (Ayuso; Rodríguez; García-Castro, 2014, p. 418) and not only to shareholders, as provided for by the dominant mode of corporate governance. Despite being conceptually superior, its practical implementation faces relevant difficulties, notably with regard to the conciliation and operationalization of the interests and expectations of *stakeholders* (Bhagat; Hubbard, 2022).

The current model of education, especially at the professional level, plays, according to Lund and Pollman (2022), based on data representative of the US context (the main reference in terms of investor capitalism), a relevant role in the intensification and dissemination of the guiding principles of the dominant mode of corporate governance. More precisely, it is part of a true "corporate governance machine" whose objective is, above all, to defend the interests of shareholders and provide greater profitability to their investments, thus maximizing their wealth. In fact, according to the aforementioned

authors, maximizing the wealth of shareholders should be, according to the prevailing view among professional education students, the objective of a company. In addition to education, this machine also has other mechanisms, such as laws, institutions (institutional investors, stock exchanges, risk rating agencies) and culture (media).

RESULTS AND DISCUSSION

The main results of the research can be summarized in Table 1 below:

Chart 1 – Results of the survey

Integral ecology	Corporate governance	Education
It is multi-capital in nature, advocating the development of the human being in different dimensions, individual and social, which includes, for example, the economic, environmental, social, and cultural dimensions. It values the common good and intergenerational justice.	Its hegemonic mode in the business world is oriented to the interests of shareholders. As a result, the pursuit of maximizing their wealth becomes the main objective of companies in economic decision-making. It is therefore of a monocapital nature.	The current model of professional education intensifies and disseminates the logic and principles of the dominant mode of corporate governance. Maximizing shareholder wealth should be, according to the prevailing view among American vocational education students, the goal of companies.

Source: Prepared by the authors based on research data.

In the light of the results presented, there is, on the one hand, integral ecology and its multi-capital nature, that is, the dimensions that count and that are capital for the human being to develop in all its entirety. This includes, in addition to the economic dimension, the environmental, social, and cultural dimensions, among others. On the other hand, there is a mode of corporate governance that manifests itself predominantly according to a monocapital perspective, insofar as it aims, above all, to maximize the wealth of owners or shareholders, which becomes the main objective pursued by companies.

Therefore, in order to achieve fulfillment, particularly in the business context, integral ecology needs to overcome the great obstacle imposed by corporate governance. This is because the dominant logic in the business world is financial in nature (Shleifer; Vishny, 1997; Denis, 2016), which hinders the development of non-financial dimensions, which are, in general, seen as generating costs and expenses.

In addition, the current model of education, especially professional, reinforces and disseminates, according to Lund and Pollman (2022), the logic and principles that guide the dominant mode of corporate governance that is oriented to financial capital. It is therefore urgent to update and improve the model of professional education so that new staff are formed according to a multi-capital perspective and a new worldview. It is even

salutary that this is started from elementary education, as has been gradually done in relation to financial education, which can also contribute to integral ecology through the promotion of a more conscious, healthy and balanced consumption.

FINAL CONSIDERATIONS

As seen, integral ecology is multi-capital in nature and, as such, values the dimensions that are considered fundamental for the development of the human being in its entirety. In turn, corporate governance, which predominates in contemporary companies, is still monocapital, which determines the emphasis attributed to financial capital and its preponderance in decision-making. Consequently, the achievement of profit, cash flows (operating, investment and financing) and capital gains is prioritized, relegating the non-financial dimensions to the background.

This hegemonic mode of corporate governance and the model of education that reinforces it characterize authentic barriers to the effective implementation of the recommendations of integral ecology.

In order to change this picture, a new mentality needs to be developed and spread within society. For this, education plays an essential role from the first years of school life, in order to form more conscious and responsible citizens in dealing with their fellow human beings and with nature. It is a mission that religious education teachers, in particular, must embrace and carry forward.

In view of the relevance and timeliness of the topic, it is suggested that research be carried out that contributes to the construction of a mode of corporate governance and an education model that paves the way that leads to the realization of the sustainability purposes inherent to the integral ecology of *Laudato Si'*.

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