

# **Economic System and Social Justice in a time of Globalization**

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### **Transformation Processes without Ethical components**

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I will address this issue within the context of my practical experience as CEO and as shared among the members of the UNIAPAC Associations. Companies can only survive and be successful by developing a continuous ability to permanently adapt to an ever changing environment. The pace of change and uncertainty has never been as intensive as to-day and will by no mean slow down.

In this very distinguished assembly, I will sound quite simplistic for I really believe that transformation processes without ethical components just cannot exist for they would be bound to failure! Simplistic, yes! But CEOs have to be simplistic for they deal every day with basic realities and must nevertheless deliver.

Engaging into transformation processes means getting people to change the way they work and organize themselves, to change the way they interface others. This, most of the time, entails for them a personal challenge to adapt, to change their daily routine and even to change the way they behave.

The source of this necessity to change can be perceived as imposed by external constraints, an undisputable necessity, but most often this necessity to change comes through the channel of the management, thus from the judgement and decisions of others. As change necessity is based on judgement, anticipation, it always includes uncertainties and thus can always be challenged.

For most people, changing means instability and risks which generate strong personal worries, and fears of not being able to adapt, doubts about oneself. This creates a rather natural tendency to refuse change by challenging the judgements and the decisions which lead to the required transformation.

But for companies the necessary transformation passes through the ability of those concerned, to change. It seems obvious that this is impossible to achieve only by constraints, sheer force, as people will refuse either directly and create a conflict or indirectly by not adhering to the change leading to a collective failure.

So one can say that transformation processes key success factor is the ability for those who must change to get involved, to be committed to the success of the transformation. All sociologists would tell that for a person to commit, to engage itself, two conditions are necessary:

- First and most important, the person must feel respected as a person, trusted in his or her professional capacities and as an individual. This is a necessity to build the trust in oneself which will allow the person to take the risk of the engagement to change: “I can do it!” but also to trust others and particularly in change decision to trust those who are taking the decision
- Second he or she must know “the rules of the game”: what am I supposed to achieve and how?

Both conditions have a strong conditional linkage to Ethics.

How can one expect to build, within those who will have to change, a sense of being respected, without a strong inner belief of the dignity of any person, without the respect for the other that such a belief entails? And how can one expect other to engage into “rules of the game” that would be unethical, contrary to the ethical judgement of those who will have to support the change?

So without long and sophisticated analysis, I do affirm that transformation processes without ethical components are bound to fail! One could think that strong constraints could be applied to force the required changes, the “no matter what” attitude... Fear could even be considered as a way to force change. But any change obtained in these conditions will not be sustainable as people will not adhere to it and would escape at the first opportunity! Not only changes will not be achieved but havoc will be created!

So rather than spending more time to analyse the possibility of transformation processes without ethical components, I would rather present what we at UNIAPAC consider as the ethical components necessary for transformation processes.

What are the “ethical components” which are necessary to successful transformation processes? I shall focus on the first condition of engagement: the respect of the person dignity which is key to build the inner confidence to take the risk of engagement. Allow me to refer to a key principle of the Social Doctrine of the Church: the principle of subsidiarity.

Defining clearly the concept of subsidiarity is always difficult. One good way is to compare the two concepts of “delegation” and “subsidiarity”. Delegation and subsidiarity are two concepts which indeed resemble each others but which are actually quite opposite in terms of respect for the person and ability for the person to grow and thus to engage.

In the delegation concept, the leader considers that the information, the capacity, the decision and the action are between its hands and that, gradually, according to the development of his interlocutor and of the quality of the relationship, it transmits them to lead the other to be more responsible. But at any time, the leader can take back its decision power. It is very flattering for the leader. Everybody knows that he knows. It is comfortable for the lower level employees as there are under permanent control and when difficulties arrive the boss will take over. Their responsibility is indeed limited. They cannot feel completely trusted and respected as full human being.

In subsidiarity, it is exactly the opposite. The leader considers that the individual or the collective entity which he is responsible for, is able to assume the information, the capacity, the decisions and the actions in autonomy and interdependence within the limits of the extend of the lower level actual field of action. In this concept the leader will give up his decision power and will take the risk of the lower level autonomous decision. Taking THE RISK OF THE PERSON is the key of the Subsidiarity principle!

One could speak about a “reverse delegation”: the lower level, on his initiative, transmits to the higher level what it considers and decides not to be within its realm of responsibility. It is thus about a complete reversal of the relation, and responsibility for the two parts. It is not flattering for the boss who is “absent”. It is much less comfortable for the lower level as they are in full responsibility and must take the decisions. But they are fully trusted thus respected.

The concept of subsidiarity takes its roots in the Social Doctrine of the Church as a direct consequence of its most important principle: the paramount dignity of the person. Rather than paraphrasing let me quote a recent document of the Pontifical Council for Justice and Peace called “the Vocation of the business leader”.

*The principle of subsidiarity is rooted in the conviction that, as images of God, the flourishing of human beings entails the best use of their intelligence and freedom. Human dignity is never respected by unnecessarily constraining or suppressing that intelligence and freedom. The principle of subsidiarity recognizes that in human societies, smaller communities exist within larger ones. For example, a family, as a community, is part of a city, which in turn is part of a county, a state or province, then a nation, and so on. The principle insists that the freedom of those closest to the decision to be made should not be arbitrarily constrained from doing so. A higher authority should never intrude on the decision-making of a lower authority if the lower authority can make sound decisions that also respect the common good.*

*While the principle of subsidiarity was originally applied to the encroaching power of the state, it is a principle that applies just as well to business organizations. People develop in their work when they use their intelligence and freedom to achieve shared goals and to create and sustain right relationships with one another and with those served by the organization. The more participatory the workplace, the more likely workers will develop. They should have a voice in the work they do, especially in the work that they do on a day-to-day basis. Initiative, creativity, and a sense of shared responsibility, should be fostered.*

*The principle of subsidiarity has multiple implications for business. It calls leaders to use their power at the service of their collaborators. A key question for all leaders is whether their authority serves the development of their people. Subsidiarity calls business leaders to execute three key tasks:*

- To clearly define the realm of autonomy and the decisions to be made at lower levels, leaving these as wide as possible. The limit on them is set where the effect of the decisions goes beyond the ability of the specific level in question to have access to the right information to take the decision, and/or where the consequences of the decisions will have significance outside of the realm of responsibility of that level.*
- To choose, train, and inform their employees, making sure that they have the right tools, training and experience to carry out their tasks.*
- To accept that the lower levels will make their decisions in total freedom and, thereby, to take upon oneself, in full trust, the risks of the lower level's decisions. Subsidiary business structures therefore nurture workers' personal responsibility and allow them to attribute good results to their sincere engagement.*

*This last point, taking on the risk of the lower level's decisions, is what makes subsidiarity different from delegation. One who delegates confers power, but*

*can take it back at any time. In such a situation, employees on a lower level may feel more comfortable that in a situation governed by the principle of subsidiarity, but less likely to grow and accept their full dignity.*

*Under the principle of subsidiarity, employees on a lower level who are trusted, trained, experienced, know precisely their responsibilities, and are free to make decisions, can fully use their freedom and intelligence, and thus are enabled to develop as people; they may be perceived as “co-entrepreneurs.” For business leadership, this is very demanding. It calls for restraint, and a humble acceptance of the role of a servant. Christian leaders will appreciate this role from the witness of Jesus at the Last Supper washing the feet of His disciples. True God at the feet of our freedom...*

If this is not ethics ... I do not know what ethics is ! A truly applied Subsidiarity Based Management will not only foster respect of the dignity of the persons employed by the Company but will give the Company the agility to change and adapt permanently to its everlasting changing environment building a real competitive advantage. This is where Ethics and efficiency combine!

Thank you for your attention.