



*Fondazione Centesimus Annus  
Pro Pontifice*

## **International Convention 2020**

### **The keys to a new corporate governance in the post-COVID era**

Vatican City, October 9, 2020

*The crisis of 2020 is a unique event since the Second World War, both in its global nature and its economic impact. Beyond the human losses, the tragedy is probably less health-related than social and economic, and may lead to several years of deep recession, increased social tensions and likely worsening situations for the most disadvantaged populations.*

*It is also an opportunity to reflect on the importance and role of human beings in our societies and in our businesses, and especially our great interdependence, both in our immediate surroundings and on a global scale. Will we want to return to the world of the past or, on the contrary, will we welcome this opportunity to rebuild differently and set up new modes of governance today, more compatible with Integral Ecology objectives?*

*Our society is experiencing, by force of circumstance, an accelerated shift to digital, which allows us to continue to interact despite social distancing. This progress, which applies to work, health, commerce and finance, among others, for the benefit of all, can also lead to isolation and dehumanization. This makes all the more essential the introspection to which each Entrepreneur is called in the construction of tomorrow's businesses. This crisis is an opportunity to make a greater place for one's inner life at the heart of one's professional life, and to follow the compass of the Catholic Social Teaching in defining a new governance in the aftermath of this crisis.*

*The French group of Centesimus Annus Pro Pontifice organized a workshop on February 29, 2020 with 50 business leaders, journalists and public figures. The preparatory texts as well as some of the conclusions of this day are being used in the following text. We are also using the notes from the CAPP France plenary sessions organized in May and June 2020, specifically about the aftermath of the COVID crisis, what it changes for the governance of our companies and the opportunities it presents, in order to better use the Catholic Social Teaching in the construction of a the economy of tomorrow.*

This crisis and its effects challenge us, and give us the opportunity to rethink our action as leaders, and more particularly the modes of governance, in the service of a more charitable world and more in favor of Integral Ecology. The pause of the race for growth and profitability of global markets, even if only temporarily, is precisely a historic opportunity to rethink the modes of value creation.

The quantitative economic growth of companies certainly creates jobs and wealth that can be redistributed, but does not in itself guarantee the integral development of their employees, and must be supervised and guided if it is to be a real engine of progress for Man and Society.

While Central Banks have been “printing” about \$1.4 billion per hour since March, we must remember that financial debt can have the same destructive consequences on an ecosystem as an ecological disaster, with the disappearance of the most fragile "species" first, and then of all the members of this ecosystem in a lethal domino effect.

Even if this debt could technically be considered forgivable, this is not the case for the ecological debt, which is just as important and which will remain. We hope that leaders will also become aware of the ecological debt of their companies, and that by adapting their companies in response to this crisis, they will also increase their efforts towards the Common Good, for more positive impact for the planet.

There is indeed no model of infinite growth from finite resources and this crisis is therefore the right time to question the model of long-term growth and value creation. The success of companies today is still measured only on financial criteria, but this obviously only partially reflects value creation in the broadest sense and its impact on the world, just as financial capital represents neither human capital nor ecological capital, both of which are absolutely essential for any company to operate.

The profitability but also the valuation of companies must therefore be rethought, including at the accounting level, to take into account all these dimensions. Growth and value creation remain key, but they must include the consideration of these social, environmental, possibly strategic or sovereign externalities. This calls for a paradigm shift at all levels, but in particular from the shareholders, who not only enable these projects to exist and operate, but also demand ever-increasing financial profit at the same time.

The requirement for profitability certainly remains and must remain because nothing can be sustainable without it, but many new requirements are increasingly being added by society, consumers and even some investors. In addition to the financial requirements, there are also the requirements of respect for the environment, respect for human dignity and respect for society. They are not in opposition to each other, and the role of the manager is precisely to synthesize them in his mode of governance, with sustainable performance in mind.

By definition, sustainable performance can only be achieved over a long period of time. It requires a business project and a long-term *raison d'être* as well, not unlike how

family businesses operate. The longer time frame makes it possible to reconcile financial profit and positive impact, both ecological and social. There is no long-term profit without sustainable performance, and there is no sustainable growth without a long-term project. Only this longer time can reconcile all these tensions around the company which seem contradictory when looked at only in the short term.

It is therefore not at all a question of abandoning the liberal economy and removing the objective of performance and profit, which remain essential for the creation and redistribution of wealth, but of taking into account externalities (either the fight against negative externalities or support for positive externalities) by valuing them financially or supporting them fiscally in the long term.

To that effect, the value of an investment must be measured not only accordingly to strictly economic parameters, but accordingly to all dimensions of value creation:

- Financial profit of the different parties, without which there can be no long-term project ;
- Well-being and development of the stakeholders, as well as a long-term mutual interest guaranteeing motivated and committed human resources for the long term;
- Social and societal impact as well as a positive ecological balance sheet, guaranteeing a sustainable model.

We are therefore calling for a global movement, an acceleration of this awareness already raised by the younger generation, in favor of a *new deal* between all stakeholders. This *new deal* is made twice more necessary by the low resilience of our current models to increasingly likely pandemics and by the obligation to get out of the mirage of short-term profit in favor of long-term, sustainable value creation on the scale of generations and of the Creation as a whole..

This young generation, known as the "Z" generation (15 to 25 year-old), with 2.5 billion people worldwide, represents the largest labor and consumption force the Earth has ever borne. As an economic and political driving force, it can therefore impose its vision of the world, its quest for purpose and its acute awareness of the task to be accomplished to preserve the planet, but it is also incumbent on our generation to accompany them and create the conditions for this change.

This *new intergenerational deal* is also likely to be a digital one. Its adoption has been accelerated in most sectors. Digital technology, if it is at the service of Man, can give everyone more efficiency and therefore more family, spiritual, cultural and solidarity time. Digital technology must be centered on the human being, serving him or her while not enslaving. Dematerialization thanks to digital technology is both an opportunity, that of freeing people from the constraints of space and avoiding wasting time and energy on unnecessary transport, but also a threat, that of dehumanizing individual relationships. Digital is only good if it is inclusive and does not create an additional social divide, between workers who can work remotely and those who cannot.

Will there be first and second zone citizens according to their degree of digital substitutability? Aren't we adding to the social divide a new digital divide, creating a twice larger gap between classes, at the risk of a social explosion? Each company will have to ensure that it strikes a balance between remote relationships and "real" human contact, but also that it values the efforts of those who are left behind by the digital revolution. Without material work, there can be no dematerialized work, and we will have to agree to better remunerate those who are the actors, more or less invisible.

The definition of a new *raison d'être* is the opportunity to encapsulate this *new deal* in a corporate purpose that defines not only the objective to be achieved but also *how it is to be achieved*. Many contradictory objectives and constraints will arise on the leader's path and he will have to arbitrate constantly, without losing sight of this *raison d'être*. This is why the time of introspection and discernment is essential in tomorrow's governance: allowing oneself to be enlightened in prayer or introspection is for the Christian leader not only a way of living out one's condition as a leader and as a Christian in a unified way, but the key for him or her, and more generally for all authentic leaders, to reconcile personal convictions with professional choices.

The role of the business leader is to create a *raison d'être* shared within the company and for all the stakeholders, which becomes a source of collective intelligence and development energy at the same time. Many companies are now displaying their *raison d'être*, and this is to be applauded, provided it is sincere and not just a communication campaign, but the challenge is now both to deepen this *raison d'être* in all its dimensions, and above all, to remain faithful to it over time.

To be effective, the *raison d'être* is not only what defines the company and its contribution to society but it must also include means of measurement that allow an internal and external diagnosis of the adherence of all decisions to this *raison d'être*. It is precisely if managers are accountable towards the *raison d'être* that it becomes a guarantee of good governance. It is not just the *raison d'être* alone, but also the process by which it is formulated, accepted by stakeholders, and the method for remaining faithful to it, that will be decisive in re-uniting the short term and the long term horizons, and in synthesizing all the issues and risks in day-to-day decisions. Well beyond the *raison d'être* itself, the commitments made by managers to comply with it and to develop the company accordingly will be a determining factor in the real effectiveness of this very *raison d'être*.

Managers, but also shareholders and employees, are constantly, and especially at this time, forced to arbitrate between contradictory situations and objectives. Many companies are going to have to answer extremely short-term questions, including social questions. There can be no long term without surviving short term and the business leader will have to deal simultaneously with the different time scales, respecting a value construction scheme compatible with the *raison d'être*. In this difficult economic context, the business leader will have to stand firm and demonstrate that the *raison d'être* is not just a slogan for good times but a compass for bad times as well...

To that effect, prayer and discernment are essential. There can be no informed decision, especially in this very violent and short-sighted context, without true introspection. Governance must leave room for the spirituality of leaders in the decision-making process and requires that the shareholders accept (or better yet, value) a human, even spiritual, part in the decision-making process.

The conversion of the business leader to authentic leadership is a condition without which calls to action risk being lost in ephemeral and sterile gestures. In the twentieth century, the business leader signaled his presence and power by the cubic capacity of his vehicle; let's hope that in this century he will stand out for the quality of his presence to others, for his effective action to restore the "natural contract" between Man and Nature, and for the attention he will have paid to keeping a rich inner life.

In his address to all the members of the CAPP Foundation on May 26, 2018, the Holy Father reminded us that the blossoming of a new ethical and spiritual dimension within the social and financial system can only come from within and cannot be a command injected from the outside.

For this not to be wishful thinking, we need a toolbox, a set of concrete questions. In the face of social and environmental urgency, as well as the increased demand for morality and transparency, it seems to us that the Catholic Social Teaching (CST) is a timeless compass particularly suited to the Entrepreneur, allowing him the introspection necessary to arbitrate between contradictory objectives. It is in the CST, patiently developed over more than a hundred years across successive industrial eras and updated with *Laudato si'*, that we find the 4 keys that can constitute the ingredients of this new model, more sustainable, equitable and inclusive:

1. Absolute and uncompromising respect for human dignity;
2. The search for the Common Good: in business, we all work together to have a positive impact on the world;
3. Systematic application of the principle of subsidiarity;
4. Solidarity, both inside and outside the company.

These values of the Catholic Social Teaching are universal and go far beyond the Church itself. And rather than imposing a Christian vision of this *new deal*, it seems to us much more effective to use each of these keys as so many practical, unifying principles, acceptable and welcomed by all, Christians and non-Christians alike. Many non-Christians refuse to consider this Teaching for themselves because it is presented as Catholic. However, we experience that if we focus on its content, the immense majority of Non-Christians welcomes these 4 elements with benevolence and their unanimous approval (at least in the speeches, if not the actions) confirms the very universal character of this Teaching. This is certainly the key to a formidable evangelization, a silent conversion that can take place in the heart of each leader, whatever his beliefs.

This intimate and personal path, unlike pre-determined rules to be followed with no room for personal initiative, does not impose an additional moral burden but raises

attention to the Common Good as a principle of life, a dispenser of purpose, energy and freedom. Indeed, the necessary conversion will not take place under duress, whether it takes the form of moral injunction, marketing risk or legal obligation. It will happen thanks to the leadership of all those who will have consented to discover this specific fraction of the Common Good that their personal vocation calls them to protect and to grow.

We have all made the humble observation that it is demanding and difficult to maintain this unity between our personal convictions and our practices in real life, but that personal conversion, carried by a powerful and inspired interior life, allows us to progress in a way that is both authentic and fruitful. In fact, there will be no authentic ecological conversion without an ecology of the interior life, that is to say, without each person's determined, assertive and organized attention to his or her interior life. Taking care of one's interior life is within the reach of all those who truly want it. It is a question of going through our fears to examine in truth the coherence of our actions with the Common Good and with our personal vocation, that is to say the coherence of what we do, what we must do and what for we are made.

This is why we have chosen a two-pronged approach, recognizing the extent of our own path to accomplish:

- Use the CST according to its 4 dimensions as possible starting points in the dialogue with all Men of good will. Taken independently, these 4 dimensions are universal, common sense objectives and seem to us a better way to engage in dialogue rather than impose a Christian view of governance.
- Inspire personal questioning rather than imposing general principles on the proper application of these 4 dimensions, thus preferring a personal approach by each business leader. We therefore ask questions to make people think rather than imposing answers.

We present this question-based approach aimed at the business leader in Appendix 1.

We hope that all, entrepreneurs, employees, shareholders, customers, suppliers and partners, will seize this historic opportunity to follow the path of conversion offered by the Catholic Social Teaching, the key to a more inclusive governance that reunites economic requirements with the personal convictions and aspirations of each person, a sustainable, equitable and integral global *new deal* that puts trust and the Common Good at the heart of the decisions of the management teams, and gives, within professional life itself, more room for interior life and discernment in the faith:

*"What would Christ do in my place? ».*

## Appendix 1: A CST self-diagnosis for the business leader

Content:

- I. Absolute respect for human dignity at all levels of the company
- II. The search for the Common Good
- III. Systematic application of the principle of subsidiarity
- IV. The imperative of solidarity

### I. Absolute respect for human dignity at all levels of the company

Work is for Man a means of expressing his inalienable dignity. The business leader gives his employees the opportunity to fulfill their vocation, to express who they are. The company is a means to *have* and to *do*, but also one of the main places of growth of the *being*. Leaders are invited to see the person before the work.

Since the company is a place of work, what the CST teaches us about work and people makes us bear a special responsibility for the dignity of our employees. We recall here some excerpts from the two encyclicals *Laborem Exercens* and *Mater et Magistra*.

First of all, Man draws his own dignity from work: "*From the very first pages of the Book of Genesis, the Church finds the source of her conviction that work constitutes a fundamental dimension of human existence on earth.*" (*Laborem Exercens*, 4).

And the company is therefore one of the major places of expression of the being and its dignity. "*As a person, man is therefore the subject of work. As a person he works, he performs various actions belonging to the work process; independently of their objective content, these actions must all serve to realize his humanity, to fulfil the calling to be a person that is his by reason of his very humanity*" (*Laborem Exercens*,6).

"*Work is a human good. [...]. It is not only good in the sense that it is useful or something to enjoy; it is also good as being something worthy, that is to say, something that corresponds to man's dignity, that expresses this dignity and increases it. If one wishes to define more clearly the ethical purpose of work, it is this truth that one must particularly keep in mind. Work is a good thing for man-a good thing for his humanity-because through work man not only transforms nature, adapting it to his own needs, but he also achieves fulfilment as a human being and indeed, in a sense, becomes "more a human being"*" (*Laborem Exercens*, 9).

" *You know well enough, Venerable Brethren, the basic economic and social principles for the reconstruction of human society enunciated so clearly and authoritatively by this great Pope. They concern first of all the question of work, which must be regarded not merely as a commodity, but as a specifically human activity*" (*Mater et Magistra*).

As leaders, we realize that our own dignity is at stake as we strive to put these goals back in the right order. The motion is first of all personal before being able to amplify

it by assuming our responsibility as leaders who guarantee and protect the dignity of others within the company.

So where do we start if not with ourselves? In Chapter V, *Laudato si'* proposes some guidelines of action, in particular through dialogue in view of new upcoming national and local policies. In the face of pressure and resistance, the Holy Father calls politicians to courage as an instrument of expression of their own dignity. We too can follow this path of courage, nobility and generosity because it applies perfectly to us as leaders: " *Here, continuity is essential, because policies related to climate change and environmental protection cannot be altered with every change of government. Results take time and demand immediate outlays which may not produce tangible effects within any one government's term. That is why, in the absence of pressure from the public and from civic institutions, political authorities will always be reluctant to intervene, all the more when urgent needs must be met. To take up these responsibilities and the costs they entail, politicians will inevitably clash with the mindset of short-term gain and results which dominates present-day economics and politics. But if they are courageous, they will attest to their God-given dignity and leave behind a testimony of selfless responsibility. A healthy politics is sorely needed, capable of reforming and coordinating institutions, promoting best practices and overcoming undue pressure and bureaucratic inertia. It should be added, though, that even the best mechanisms can break down when there are no worthy goals and values, or a genuine and profound humanism to serve as the basis of a noble and generous society.*" (LS chapter V, 181)

And for us to dare, Pope Francis openly tells us of his hope in Chapter VI: " *Yet all is not lost. Human beings, while capable of the worst, are also capable of rising above themselves, choosing again what is good, and making a new start, despite their mental and social conditioning. We are able to take an honest look at ourselves, to acknowledge our deep dissatisfaction, and to embark on new paths to authentic freedom. No system can completely suppress our openness to what is good, true and beautiful, or our God-given ability to respond to his grace at work deep in our hearts. I appeal to everyone throughout the world not to forget this dignity which is ours. No one has the right to take it from us.*" (LS Chapter VI, 205)

He proposes that we follow the path of education, of spirituality, that is to say the opening of our interior life, with courage.

The questionnaire below is a way to get started at the end of this personal introspection. It is an invitation to act concretely by mobilizing all our intelligence. Beyond our intellectual and emotional intelligence, this questionnaire leaves room for our spiritual intelligence which allows us to look at the world differently and to dare to believe when it is not possible for us to see. Spiritual intelligence is the driving force of the audacity to which Pope Francis in his encyclical *Laudato si'* exhorts us personally, here and now. Good example and courage must shine from the top management of the Enterprise if we want to convince.

It is our own dignity as men and women that is at stake.

**Here is an example of questions that we propose to the business leader in his introspection process on the respect of human dignity in his company:**

**1. Vulnerable people in my company: welcome, attention and management**

- Do I know the most vulnerable people in my company?
- What direct contact do I have with the most vulnerable people? What about my management team?
- How are disabled people in particular welcomed: have I tried to think about it to also see it as an opportunity for the company or do I just consider the legal constraints?
- Beyond that, am I able to recognize everyone's limits so as not to put them at a disadvantage in their work? And does my organization do it?

**2. The quality of the work that my company offers and its fair compensation.**

- How can I give more freedom and autonomy so that everyone can fully use their creative abilities?
- Is the compensation system in place fair and equitable? Can I really say that there are no unfair wages in my company? Does the compensation system recognize the contribution of everyone at all levels? How can I make it evolve? What special effort do I make each year for the lowest salaries?
- What am I doing to ensure gender equality? Have I given it enough in-depth thought with my management team and deployed a long-term approach on par with the stakes?
- How can I give extra purpose to everyone's work each year?

**3. The fight against the "culture of waste".**

- What is my contribution to the health of our common home?
- How can I measure the reduction in waste each year?
- What concrete action plans are in place? Are they sufficient and scalable?
- Have I deployed incentive systems to implement these plans?
- Do I pay enough attention to the quality of the recruitment methods in my company so that they avoid unnecessary steps for job seekers and unjustified discrimination?
- Am I concerned about maintaining the employability potential of my employees?

**4. The "perimeter of dignity" :**

- How did I define it?
- Does it stop at the company's doorstep or do I also include suppliers, subcontractors, etc. (example: can I improve the working conditions of those who do housework by switching to daytime work?) ;
- Does it stop at the employee or do I also include his or her family with the respect of their privacy? What knowledge do I have of his personal situation with respect to his privacy? His children? His dependent or sick parents? (Examples: Do I have employees sleeping in their cars? Are there any who do not have decent housing or who cannot take care of themselves, help their parents or finance their children's education)?

## 5. **My own dignity**

- Am I able to systematically see a person before the thing, the person before the job, even when I am under a lot of pressure?
- How do I think about technological advances and anticipate their impact on the dignity of employees?
- Am I careful not to substitute the real relationships between people by a virtual communication that would only be digital?
- What obvious signs of recognition do I give to my employees?
- How do I evaluate my courage to denounce and my courage to encourage?  
What attention do I pay to my family in relation to my professional commitment?

## II. The search for the Common Good

Today, we can no longer consider that a company is only intended to generate profit for its shareholders. It is to each one of us, as leaders but also as human beings, that integral ecology poses three challenges that we will try to apply to businesses:

- How to live better and how to develop people and communities?
- How to we live together, i.e. to share the wealth of our common home?
- How to we live sustainably, i.e. to work today for the benefit of future generations?

In the context recalled in the introduction, the notion of Common Good is likely to be seen by the Entrepreneur as a secondary objective, or even a constraint. The emergence of B-Corps or “companies with a mission” in French law, which do not deny the search for profit, but are interested in the how, and the massive enthusiasm of the younger generations for this model<sup>1</sup> demonstrate the awareness of the role to be played by the company in the realization of this Common Good.

The emergence of the formulation of a *raison d'être* comes from the same ground, as well as the evolution of certain investors,<sup>2</sup> who refuse to invest in certain sectors or companies<sup>3</sup>. However, at the same time, how can we not underline the inconsistency of investors who demand that CSR be inscribed at the heart of companies in order to minimize their investor risk but do not accept to finance - through a lower profit in the short and medium term - the actions necessary to implement it in depth?

The entrepreneur is therefore called upon in three ways, as a man, as the leader of a group of people working together and as a social representative. He must work tirelessly to drive and monitor the construction of sustainable progress that improves the living conditions of each person. His action can be measured in three dimensions at different scales: social well-being and development of the person and the community, integral protection of Creation, and legacy to future generations.

John XXIII defined the Common Good as "*the sum of the social conditions that allow both groups and individual members to reach their perfection in a more complete and easier way*" (*Encyclical Mater et Magistra*).

For the business leader who must implement the conditions of a global progress of the group towards its "perfection", the questions of the dynamics created among his teams, the development of each one, the attitude of each one towards the others, are thus particularly acute.

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<sup>1</sup> Approved by 40% of the millenials surveyed.

<sup>2</sup> American and Scandinavian in particular

<sup>3</sup> We also note the recent transformation of a French investment fund into a mission company.

Paul VI develops in *Populorum Progressio* the concept of "integral development" of the person, his moral development and spiritual fulfillment, which is an essential brick in the notion of the Common Good for each person within the group and introduces the idea that "every worker is a creator".

John Paul II in *Centesimus Annus* recalls this essential dimension of the common and harmonious growth of the group: the common good is "the quest for truth, beauty, goodness and communion with others for the sake of common growth."

Finally, in *Caritas in Veritate*, Benedict XVI reiterates the Church's conviction that the realization of the Common Good is well intended for each member of the community: "The Common Good that is sought not for its own sake, but for the people who belong to the social community and who can only really and effectively pursue their good within it."

Profit is useful if, as a means, it is directed towards a goal that gives it purpose to both how it is created and how it is used. The exclusive aim of profit, if it is produced in an unhealthy way or if it is not used for the pursuit of the Common Good, risks destroying wealth and engendering poverty.

The leader has a large role to play in the vision of the company he proposes. It is up to him to convince the younger generations in particular that profit is the consequence of the search for a positive impact and not an objective in itself, and that this positive impact is aimed at those who make up the company, its suppliers, its customers, but also the planet.

With *Laudato si'* Pope Francis broadens the notion of the Common Good to all that surrounds us in the perspective of the salvation of the whole Creation which will return to God thanks to the work of Man. *Laudato si'* incites us to go beyond the notion of Common Good at the level of the social mission of the company and to consider the action of Man as guardian of creation. Whereas there will be almost 10 billion people on the planet in 2050 and 60% of biodiversity has already disappeared, it becomes urgent to place the action of each company in the context of the whole of Creation.

Sustainable development can no longer be approached with the superficiality of a passing fad or a flattering but hollow marketing slogan. It is bound to become a *sine qua non* condition of economic development: "an integral ecology is inseparable from the notion of the common good, a central and unifying principle of social ethics" - *Laudato si'* §156.

The social conditions that must allow each individual to reach his or her full potential do not stop at the company's walls, but embrace its entire ecosystem (employees, customers, suppliers, etc.): "These conditions cover many areas, including: water, food, housing, work, education, the environment, transportation, care, culture, religion", in *Notre Bien Commun*, *Service national Famille et Société* of the French Bishops' Conference.

A company's balance sheet is a valuable but limited indicator because it measures only a portion of the assets and liabilities, those that are the least complex to value<sup>4</sup>. It does not take into account other essential aspects of its capital, such as its human and ecological capital, which are much more complex to measure and yet essential to the sustainability of the company. If a company must anticipate and preserve its financial capital to avoid going bankrupt, would it not be just as far-sighted to take care of its human capital and its ecological capital?

**Here is an example of questions that we propose to the business leader in his introspection process on the search for the Common Good in his company:**

**1. Social welfare and community development :**

- Is there a real culture of gratitude in my company?
- Are my suppliers treated the way I would like my customers to treat me?
- When I win, who loses?
- What is the societal impact of my company?
- Does my company contribute to the sustainable development and progress of humanity?
- Have I received a mandate for this from my shareholders? Am I in adequacy with my corporate mandate?

**2. The integral protection of Creation :**

- How do I take into account the ecological impact in my decisions?
- How important is the respect of the environment by my suppliers in the purchasing decisions of my company? Can I go further and how?
- Do I measure the sustainable consequences of the activity on the planet? How can I progress?
- Do I recycle or recover waste?
- Does my company have an action plan to pursue the 17 UN sustainable development goals<sup>5</sup>?
- Is my company measuring its carbon footprint and adopting measures and a strategy to reduce it? Among the practical questions to ask are: how much CO<sub>2</sub> is generated by travel, servers, the Cloud and the IT park?

**3. The legacy to future generations :**

- What will basically remain of my work in 25, 50, 100 years? What will my grandchildren be able to say about what I have built?

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<sup>4</sup> Relative appreciation given the countless complex valuations in many economic sectors (from insurance actuarial provisions to the eventual decommissioning costs of nuclear power plants), levels of complexity that IFRS standards have only increased to unprecedented dimensions.

<sup>5</sup> The sustainable development goals are a universal call to action to eradicate poverty, protect the planet and improve the lives and opportunities of people everywhere. The 17 sustainable development goals were adopted in 2015 by all United Nations Member States as part of the Sustainable Development 2030 Programme, which sets out a 15-year plan to achieve these goals.

- If I multiply my activity by 10 in the years to come, how much will my need for resources and pollution increase?
- Will my current business model still be viable in a carbon-neutral world?
- What knowledge or know-how does my company leave as a legacy?
- Am I actively making decisions to leave the planet in better shape?
- Do I contribute to sustainable progress and to the improvement of the environment / living conditions for everyone?

### III. Systematic application of the principle of subsidiarity

This notion is little known, yet it is at the heart of the CST. Subsidiarity means ensuring that decisions are taken by the entity closest to those who are directly affected by them. Subsidiarity therefore means respecting the powers of the subordinate, helping them if necessary, and if intervention is needed, then giving them back the power right after.

The principle of subsidiarity is not a purely theoretical concept, but a principle of social life so necessary and vital that one cannot pretend to change it or shake it, Pius XI reminds us in *Quadragesimo Anno*, without "*disturbing the social order in a very damaging way*". It truly constitutes the keystone of social organization, particularly in the enterprise.

The principle of subsidiarity is cited twice in the Encyclical *Laudato si'* :

- In Chapter 4 on integral ecology in close association with the good: "*157. Underlying the principle of the common good is respect for the human person as such, endowed with basic and inalienable rights ordered to his or her integral development. It has also to do with the overall welfare of society and the development of a variety of intermediate groups, applying the **principle of subsidiarity**. Outstanding among those groups is the family, as the basic cell of society. Finally, the common good calls for social peace, the stability and security provided by a certain order which cannot be achieved without particular concern for distributive justice; whenever this is violated, violence always ensues. Society as a whole, and the state in particular, are obliged to defend and promote the common good.*"
  
- In Chapter 5, which sets out some lines of orientation and action: "*196. What happens with politics? Let us keep in mind the **principle of subsidiarity**, which grants freedom to develop the capabilities present at every level of society, while also demanding a greater sense of responsibility for the common good from those who wield greater power. Today, it is the case that some economic sectors exercise more power than states themselves. But economics without politics cannot be justified, since this would make it impossible to favour other ways of handling the various aspects of the present crisis. The mindset which leaves no room for sincere concern for the environment is the same mindset which lacks concern for the inclusion of the most vulnerable members of society. For "the current model, with its emphasis on success and self-reliance, does not appear to favour an investment in efforts to help the slow, the weak or the less talented to find opportunities in life"*

The company is confronted with an imperative: to go beyond a reality in which many decisions cannot be taken because the person does not have the necessary room for maneuver and often does not have the skills to decide in a relevant way. The principle of subsidiarity is the answer to this imperative. The company then considers that it is made up of responsible people who, in the service of the collective project, will

mobilize all the potential opened up by their freedom and autonomy. This implies that this responsibility must be understood (information), accepted (adherence), mastered (competence) and encouraged (incentive). It is a question of thinking, building and living an organization in which each member can say: "I have the future of the company partly in my hands".

An apparently similar concept to that of subsidiarity is that of delegation, which companies are more familiar with: it means that an authority (a company, a director, a manager) transfers to an employee a clearly defined part of his or her responsibilities, and in particular his or her capacity for action and decision-making. As a general rule, it is accompanied by a control. Delegation and subsidiarity have in common the fact that they are forms of autonomy, which bring together decision-making power and the power to carry out actions. But the very principle of delegation is built on a premise: the decision belongs to the top, which by exception concedes it to the bottom. Whereas with the principle of subsidiarity, on the contrary, the decision belongs to the base, which reaches out to the higher level only by exception.

The difference between the two approaches is not only conceptual. Indeed, considering that the decision belongs to the actors directly dealing with the stakes, freed from the cumbersome decision-making processes of bureaucratic organizations, is fully consistent with the business transformation logic called for by the current mutations. Subsidiarity also presupposes responsibility and therefore the capacity to be accountable for it. Freeing oneself from bureaucratic processes does not mean freeing oneself from control, which is useful to ensure a virtuous loop of progress.

**Here is an example of questions that we propose to the business leader in his introspection on the systematic application of the principle of subsidiarity in his company:**

### **1. Corporate culture**

- Have management and teams conducted a shared reflection on the purpose, scope and interest of the principles of subsidiarity and substitution? Is there a charter of managerial values in which they are highlighted? Are they a mandatory discussion point in the annual interviews? Is the Board of Directors aware that my company is built on the principles of subsidiarity? Does it support me in this process?
- Do the managers maintain the necessary availability to welcome employees who wish to be heard? Does the top management regularly take the time to go and understand *in situ* the difficulties of the operational teams in problem-solving meetings (IT, processes, customers, etc.)?
- Are new talents effectively given responsibilities without preconceived ideas and accepting risk taking and therefore the right to make mistakes?
- Are there regular verifications/evaluation of compliance with these principles (audits, feedback, customer and supplier complaints, internal HR barometer, use of customer surveys to evaluate support services in large companies)?

### **2. Organization**

- Is the definition of responsibilities between operational departments/shared service centers/competency centers/subsidiaries and central services/corporate/holding inspired by an "everything but" logic, delimiting the role of central services/corporate/holding in a precise and restrictive manner?
- Does the organization between business lines and support functions respond to a logic of subsidiarity?
- Does the geographical organization respond to a logic of subsidiarity?
- Is the architecture of responsibilities inspired by a logic of subsidiarity and substitution? In what spirit are the delegations of powers drafted?

### **3. Process**

- How are the company's processes defined and modified: top down ou bottom-up by operational players and their management? bottom up-top down interaction?
- Are customer-oriented processes at the core of the different organizations?
- Are there rules in terms of maximum number of visas, speed of processes?
- Is the principle of substitution organized/processed to facilitate the call for assistance whenever necessary, especially in emergencies?

### **4. Management and allocation of resources**

- Are the reporting lines structured in such a way that each level only receives information that it actually uses?
- Are resource allocations organized in such a way as to optimize the time spent on budget and performance dialogue and its quality to the benefit of operational time?
- Are there budgets and time allocated, for example, for open innovation?

#### IV. The imperative of solidarity

Solidarity implies that wealth exists to be shared, and that it is intended to produce benefits for others and for society. Goods always retain a universal destination, at the service and benefit of the other. " *The economy has as its object the development of wealth and its progressive increase, not only in quantity but also in quality; this is morally correct if it is directed to man's overall development in solidarity and to that of the society in which people live and work.* " (Compendium 334).

Men and peoples participate in economic activity and this does not in any way detract from morality, since they work for progress and the good of all, that is, the Common Good. And "*This is a duty in solidarity and in justice, but it is also the best way to bring economic progress to all of humanity. When practised morally, economic activity is therefore service mutually rendered by the production of goods and services that are useful for the growth of each person, and it becomes an opportunity for every individual to embody solidarity and live the vocation of "communion with others for which God created him"* (Compendium, 333).

The speed at which information flows bring the distant very close, whatever the distance. This new relative idea of our neighbor therefore often separates us from those who are immediately and often physically close to us, at the risk of even blinding us and thinking our Christian mission too globally (in the planetary sense) and making us forget those who need us locally.

It is closest to us, every day, in our daily lives that we must show solidarity. For the head of a company, for the director of a department, the team leader, it's every day in his or her work environment that everything begins. To love our fellow man is above all to love those who are close to us, physically or because common interests bring us closer together. This can be a colleague, a customer, a supplier, a partner.

The company exists in that it is the reunion of people. It fulfills a social function in this respect and intrinsically has social objectives beyond its production or financial objectives. The company is not only a corporation but also a partnership. The men who form it are its most precious asset, its intangible but fundamental capital. Entrepreneurs and business leaders have a duty to respect this capital and to encourage every act of solidarity towards and by the men who form it.

Solidarity is a rising value among entrepreneurs. The Social and Solidarity Economy (SSE) appeals to them more and more. Its operations and activities are based on the principle of solidarity and social utility. SSE companies put much more emphasis, in the implementation of their economic projects, on the service rendered and the assistance offered than on profit. Among their common values: profit sharing within the company, democratic governance, *pro-bono* participation in external actions of social utility. In 2016, SSE accounted for 11% of French jobs. Beyond a purely social objective, the business leader also improves this way the commitment of his employees, their motivation and therefore their performance, not to mention the financial aids he receives.

Some "ordinary" companies have perceived the need for solidarity and in turn commit themselves in different ways, through their CSR policy, philanthropy or Integration through Economic Activity. Two examples: 1) the fight against food waste, food donations by distributors or 2) law firms that offer their skills to disadvantaged people (pro bono). Once again, beyond their social utility, these actions also have strong effects on the cohesion of employees.

Solidarity Funds for and between entrepreneurs are also being set up. Belonging to these networks provides access to financing. Situations of debt can turn into poverty and push entrepreneurs into isolation. These self-assistance systems also allow for mentoring between experienced and novice entrepreneurs (idea of coaching) and also to establish business cooperation or partnerships (stronger together).

Some of the entrepreneurs who have made fortunes in turn create Funds and Foundations in which these fortunes are invested. We can indeed mention Bill Gates or Warren Buffet in the United States where philanthropy is almost an integral part of social life. This idea of the "give back" is beginning to affect France. Are our billionaires ready to give half or even almost all of their fortune? The Giving Pledge campaign launched in the United States in 2011 is now relayed in France since 2018.

Another question that can be asked is whether employees are in solidarity with their bosses. The temporary employment agency Qapa recently conducted a survey over 4.5 million French job applicants to find out whether they were more willing to help or "push out" a superior in a difficult situation. In reality neither. 58% believe that one should not support one's boss when he is in difficulty! Employee support drops to 24% when the boss is threatened with dismissal.

With regard to solidarity among workers, the Compendium places great emphasis on the importance and role of trade unions in the company, which *"grew up from the struggle of the workers-workers in general but especially the industrial workers-to protect their just rights vis-a-vis the entrepreneurs and the owners of the means of production."* (Laborem Exercens, 20) Relations within the workplace must be characterized by collaboration. In this context, it is the duty of trade unions to be promoters of social justice and instruments of solidarity within companies.

Between employees, it is now also possible to give each other vacation days. Some may need extra days to deal with unforeseen situations, the illness of a loved one, etc ... This anonymous and unrequited scheme came into force in 2014 in France for employees with a sick child and now also benefits family caregivers.

Some companies today are also creating support funds that they suggest their employees participate in, with extra contribution from the company, in the anticipation of exceptional needs of their employees, such as natural disasters.

**Here is an example of questions that we propose to the business leader in his introspection process on the concern for solidarity in his company:**

**1. Is my company itself supportive?**

- Is the company's CSR policy a marketing tool, a "tick the box" exercise, or a genuine, true and sincere approach?
- What other solidarity actions other than its CSR policy have been implemented within the company? The CSR policy is mandatory; does the company go beyond its obligations?
- Are all employees well informed and involved in the process?
- Who defined the company's CSR policy? Myself, the management team, the employees, a co-construction approach?
- What means and budgets are allocated to it?

**2. Do I encourage initiatives from all sides in terms of employee solidarity?**

- What place is given to trade unions and their social mission?
- Are initiatives such as vacation donations in place in my company?
- Is there a support fund for exceptional situations that employees may face?
- What other ideas for mutual aid or support could be imagined in the company?

**3. As a business leader, do I participate in solidarity actions?**

- Am I a member of an association, of a mutual assistance circle of business leaders?
- Do I have the will or desire to give my time to support my peers, to share with them the actions carried out by my company?

*The self-diagnostic questionnaires in the previous four chapters are not intended to moralize or teach lessons; moreover, they have allowed each of us to reflect in depth on our own lives and, above all, have helped us to measure how far we each have to go in our own companies. It is simply a methodological guide to undertake the journey with courage and hope. Moreover, we would be delighted if readers of this document could contribute to enriching it and if each leader could construct his or her own intimate self-diagnosis questionnaire based on this initial framework.*

*We simply hope that this approach can help to breathe new life into the commitment of the leader.*