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## **Ethical stakes of corporate governance, ergonomic contribution to organizational redesign aiming at subsidiarity**

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### **Abstract**

Corporate governance, through the involvement of employees and the dynamics that it can produce, is an essential precondition for efficiency and for safeguarding workers' health.

Many studies have shown that individual autonomy is a determining factor in implementing occupational health. Employees must be allowed a certain amount of room for maneuver in organizing their work (e.g. varying their modes of operation), they must be able to show their creativity (not be satisfied with applying procedures that have been defined by others), and influence their work environment, especially in periods of change. Organizational design should provide the opportunity to influence management modes, distribution of power, the functioning of the chain of command, individual participation in the design processes. Ultimately, this is a question of areas for deliberation and the allocation of decision-making power.

Contrary to the idea of a predetermined definition of all the decisions that can be taken at every level of the hierarchy, efficiency consists in constantly adapting the level of decision-making to the problem being dealt with. This requires constructing an organization which is sensitive to details of events, which can be always adjusting the levels at which matters are dealt with. However, this swing from one decision level to another is only possible if the organization and the people within it are well prepared beforehand.

Thus the concept of subsidiarity constitutes an ethical point of reference for dealing with questions of corporate governance. It favors decision-making at the lowest appropriate level by following three organizing principles: the competency principle, the assistance principle, and the substitution principle.

Small businesses can be an accessible framework for a systemic approach to these questions and an excellent setting for organizational experimentation.

### **Keywords**

Ergonomics, organization, subsidiarity

### **1. Introduction**

Corporate governance, through the involvement of employees and the dynamics that it can produce, is an essential precondition for efficiency and for safeguarding workers' health.

Canguilhem (1947) developed the idea that living should never mean having to endure the environment in which one finds oneself. As man has developed, and adopted activities, he has always needed to be able to challenge existing norms, and establish new ones according to different contexts and situations. Sen (1999) stressed the link between the development of freedoms and an individual's ability to influence the world and to contribute to the life of the community. A great deal of research, following that by Karasek (1979), has shown that employee autonomy is a determining factor in the construction of health at work. This means that employees should have room for maneuver in the organization of their work (for example to vary procedures), they should be able to show creativity (not only to apply procedures defined by others), they should also be able to influence their work environment, especially in the context of technical or organizational changes. These psychosocial requirements also apply to the collective dimensions of activity, and in particular to the way in which individuals are able to receive from (or give to) their work colleagues any form of instrumental or emotional support.

From here we go on to consider how the way in which a company operates can enable healthy individuals to meet these development objectives, while still targeting the efficiency of the system. This poses the question of areas for discussion about work and the allocation of decision-making power throughout organizations. Organizational design should provide the opportunity to act in this way, especially concerning management modes, power structure, the functioning of the line hierarchy, participation of workers in design processes and their involvement in the dynamics of change.

Thus the concept of subsidiarity, which defines principles behind the distribution of power in a community, can represent an ethical point of reference for dealing with questions of corporate governance. For Melé (2005), subsidiarity can be defined as the principle by which "a larger and higher-ranking body should not exercise functions which could be efficiently carried out by a smaller and lesser body. Rather, the former should support the latter by aiding it in coordinating its own activities with those of the greater community". It promotes decision-making at the lowest appropriate level by following three organizing principles: a principle of competency, a principle of assistance, a principle of substitution.

We demonstrate our argument in an ergonomic study in a small service sector company with 92 employees, selling and managing mutual insurance products. We will show how we became interested in the individual and collective room for maneuver available to employees in the context of their day-to-day work. From there, we show how this situation was significant for the functioning of the company when considered more globally and for existing modes of decision-making. We conclude by highlighting the advantages that the concept of subsidiarity was able to bring to the necessary reflection process on organizational design, focusing on the organizational learning dimension that the ergonomic intervention can represent when carried out as a participatory exercise.

## 2. Material and methods

Seven months prior to our intervention, the MUTU company had set up a system of digitizing their files and incoming mail. After the mail was opened and sorted, it was digitized for dispatch to the electronic mail-boxes of employees in the relevant departments. When we arrived, the mail/digitization department was approximately 1.5 months behind schedule, and the receiving departments were experiencing major operating problems (absenteeism, lateness, mistakes). Many difficulties were described as due to a deterioration in interpersonal relations. The company management asked us to carry out a diagnosis of the situation in the mail/digitization department to determine areas where improvements could be made. We were eventually allowed to extend our study to the administrative departments.

We decided to consider the situation from a dual standpoint: first looking "from the bottom up" by getting an understanding of the real nature of the work done by the people concerned, and then "from the top down" by examining the way in which the digitization had been implemented in the company and how the change had been introduced to the employees. To do this, we carried out observations at the workplace, then held individual interviews and then group work, first within departments and then between departments. We started with the failures in production (lateness, mistakes, difficulties with data processing...) to create a common base for exchange which could bring together management, technicians and employees to discuss the organization. We were able to identify production situations where there were problems, from the point of view of work efficiency and the consequences for the individuals concerned, which could be the subject of shared discussion. We distinguished three levels of determinants which also constituted three possible levels of action: there were aspects that resulted from the national context (regulations, politics of the mutual insurance sector, choice of computers and software); aspects related to the establishment (company structure, operational hierarchy, staff management, relations between departments), and aspects concerning the day-to-day work within each department. There were links between the three, but there was also a relative degree of autonomy.

Our first observation was that the digitization project had been implemented as a purely technical project, with a totally simplistic view of the work done in the mail room, with under-estimation of the organizational consequences of this project, and without involving the relevant staff in the process of change. The new head of this department was a computer specialist, chosen purely on the basis of technical abilities. However, we very quickly realized that sorting the mail required a global vision of the way the company operated, an excellent knowledge of the administrative processing circuits, the legislation to be applied, and the functioning of the departments. Sending digitized documents straight into the mail boxes of the employees also changed work in the departments considerably. Previously, the mail was sent to the head of department, who distributed it to the employees according to those who were present, their particular skills, the files they were currently working on. The heads of department therefore always had an overview of the work that was going in their own unit. From now on, however, they had to go round afterwards to each individual mailbox to check whether or not there were any administrative problems and then make any corrections when necessary.

Our second observation, on the need to ensure that all processes were reliable, is a point that was raised by management to justify the centralization of management decisions, including those that concerned the day-to-day functioning of departments. Here are two examples to illustrate this situation:

1. At the end of a working day in the mail room, there were documents for which it was difficult to determine the intended recipient, and which were therefore difficult to sort. In addition, some digitized documents that had been sent out to the departments were returned to the mail room because of an "anomaly". In both these instances, the rule stated that these elements should be passed on to the head of the unit, who would then resolve any difficulties. Employees who had decided for themselves what procedures to adopt in such situations were severely reprimanded for having "*overstepped their competency and their responsibilities*".
2. During a working group with the mail room/digitization department and a department further down the hierarchy, we were able to list the difficulties experienced. No business meeting had taken place previously between these two departments, with exchanges only ever having been through the department heads. One of the difficulties identified appeared at first to be trivial: the mail department used different colored pens to highlight certain elements of the incoming mail to facilitate identification and subsequent processing. However, now that digitization had been put in place, when certain colors were used, this meant that the highlighted data was illegible. Documents then had to be returned to the mail department, the original had to be retrieved, then digitized once again with a better resolution, and sent back to the receiving department. The group very quickly agreed that it would be better not to use certain colors any more, and this measure was put in place without delay, to everyone's satisfaction. Shortly afterwards, the head of the unit reacted very strongly to this decision, about which he had not been consulted, and insisted that staff should return to the former practices. The director general, while recognizing that there was a problem, confirmed that it was "*undesirable that micro decisions should be taken without the formal approval of the head of department*", as this raised the "*question of the credibility of the hierarchy*".

These are just two of several examples where a wish for centralized organizational control was evident, leaving very little leeway for the individuals involved. In this case, the company functions using a strong model, which is not necessarily specified, yet is very perceptible, with the only rationality coming "from above". This results in an all-encompassing desire to see everything move up to the higher echelons of the hierarchy. This also leads to a virtually non-existent involvement on the part of the workers when processes of change are introduced. This lack of empowerment ultimately blocks any form of initiative on a day-to-day basis in the way the departments operate. The fact that everything has to go up to the higher levels leads to two possible behaviors, which the employees themselves acknowledge: either the problem is sent up to the highest level, where it will probably be seen as a minor matter, it will not be dealt with and will eventually be left pending; or the employees hesitate to send such "minor details" up the hierarchy, and since the lower echelons do not have any freedom in terms of decision-making, once again the problem is not dealt with.

This company clearly does not see itself as a "learning organization" (Argyris, Schön, 1996), anxious to develop and value individual and collective know-how. In addition to the loss of efficiency, this is also at a cost for the people involved. The works council and colleagues in the department should represent both a resource for individuals, the place where new and existing employees can help one another, and at the same time, the place where any problems, successes or failures that employees have encountered at work can be opened up for discussion. In this case, employees tended rather to describe obstacles to forming a works council: *"We're not really supposed to talk amongst ourselves and help one another. If we have a problem, we have to ask the Head of the unit. But when we have time, we don't stick to this"*. Ultimately, the employees are inherently seen as constituting a risk and this absence of corporate confidence produces a strong feeling of injustice, as it prevents workers having their own legitimacy as a basis for any criticism of the organization and proposing alternatives (Campoy, Neveu, 2007). This is true for all levels of the hierarchy.

Of course, the aim of ensuring that all processing treatments are reliable and homogeneous is a perfectly legitimate one. This is what in the context of industry is called *regulated reliability*, in other words anticipating a certain number of foreseeable situations and ruling on them. The problem is that this never covers all situations at work. Working always involves coping with situations that have not been anticipated or which are just "on the borderline" of the official rules. Such situations are nevertheless managed using three types of resource: the skills of the workers, possible mutual help between colleagues, support from the hierarchy. This could be called *managed reliability*, whereby employees are able to cope with unexpected situations in real time. The true reliability of a system results from a combination of these two types of contribution, and a discussion of rules and practices so that change is possible (Amalberti, 2006).

In accordance with the original request from the company, we looked first at the reorganization of the mail/digitization department and how to resolve the problem of delays. As a result of this, we considered the structuring of the decision-making circuits, what could best be dealt with at each level of the hierarchy in order to ensure efficient production, to develop autonomy and responsibility, not to overburden the hierarchy with matters that could be dealt with at a lower level, and also to facilitate greater fluidity and reactivity. As a result of this reflection, two measures were in fact put in place: a change in the operating rules within departments and between departments, based on discussion and experiments in the working groups and with supervisory staff; a total overhaul and redefinition with management of the delegation of the degree of power to be given to each level of the hierarchy and the amount of room for maneuver that each of these levels was to be allowed to make any adjustment they felt necessary in real time.

### 3. Results and discussion

When a participative process is put in place, ergonomic intervention can be a time for constructing and testing out a different mode of operation (Petit, 2006, 2008), with the actors contributing to understanding the problems to be dealt with (Petit et al. 2011) and learning how to participate in decision-making processes. Thus it has a truly educational role to play

within the organization (Dugué et al., 2010). However, ensuring that these modes of operation will be perpetuated in the structure of the organization remains the key issue for any intervention constructed in this way.

Integrating the principle of subsidiarity into the organizational design means ensuring that nothing is handed to a given level of the hierarchy to deal with which could be done more efficiently at a lower level. One must be constantly looking for the most appropriate level for an action to be carried out. This definition gives rise to three principles (Pradines, 2004): the upper level must refrain from carrying out any task that the lower level can carry out by itself (competency principle); the upper level must carry out tasks that the lower level cannot (assistance principle); the lower level must refrain from handing over certain tasks which are theirs (substitution principle). Subsidiarity can therefore be seen as a model for constructing the organizational structure by stacking up the different levels, with each one retaining its capacity to act and its autonomy, and with each one holding a "piece of sovereignty".

For some decisions it is more appropriate if they are taken centrally, and for others it is not. But no complete list can be drawn up beforehand of all the decisions that may need to be taken by each level in the hierarchy. Efficiency therefore lies in continually adapting the decision-making level to the problem to be dealt with, according to the knowledge that each level has at its disposal. This requires an organization that is sensitive to detail and is constantly adjusting the levels at which matters are dealt with, using action levers spread across different levels of the hierarchy. However, switching from one decision level to another is only possible if the organization and the people who make up the organization are prepared for it, and in particular if the following two conditions are met:

1. a learning organization, keen to analyze its shortcomings, to learn from its mistakes, to use and develop individual skills, to strengthen works councils. This presupposes that feedback concerning real work and the regulations necessary in the course of work activity are possible and received sympathetically;
2. a confident organization, breaking away from the Tayloristic idea of the operator who is *"incapable of understanding the science of work"* and who is therefore deprived of all initiative, or the tenets of "Lean Management" where operators are asked to identify and flag up any problems that need to be dealt with in order to improve production conditions, yet are still kept at a distance from all structural decision-making.

#### 4. Conclusion

Using the ergonomic approach, the focus can be directed to the need for permanent dialogue between rules and the realities that work situations can reveal. Working consists of always coping with the unexpected, with complications and continually adapting modes of operation to variations in the working environment and to one's own variability. To continue with production under these conditions, operators from all levels of the hierarchy are constantly applying individual and collective regulations (Reynaud, 1989). It is important that the cost of these regulations can be discussed and incorporated into decision-making.

Subsidiarity is not a recipe for organizational success. It is a means of discussing collectively the way a company is structured, with the two-fold aim of productive efficiency and

maintaining the good health of the workforce. By asking the question, "why have a given level of the hierarchy deal with something that can be dealt with perfectly well by the level below?", the subsidiarity approach makes it possible to reconsider the implementation of different concepts such as autonomy, power to act, freedom in decision-making, organizational dependence, room for maneuver, regulations. Acknowledging dignity at work means giving each person responsibility for their actions. As Pradines points out (2004), "breaking from this principle [...] is [...] both an injustice and a mistake. An injustice because it is a negation of the recognition of the individual, and a mistake because it deprives society of all the capacity for intelligence, creation and initiative of which this person is capable". Building an organization from this perspective is also an incarnation of democracy in organizations, accepted not only as a moral requirement but as a condition for productive efficiency. We are certain that small businesses can be a very accessible setting for a systemic approach to these questions and an ideal place for organizational experimentation.



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