Subsidiarity in Management & Business Activity: The Two Sides of the Phenomenon

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Abstract: This study is devoted to the analysis of the concept of subsidiarity, which allowed the formulation of the subsidiarity principle, acting in various spheres of collective human activity. Systematization of the literary sources and approaches to the management of business activities proved that the ethical principle of subsidiarity aims to develop the well-being of collective human life, but it also has its limitations. On the one hand, numerous positive examples of mutual support, cooperation, help, mentoring, and employee development are known in business activity, as well as in management theory and practice. On the other hand, there have always been conflicts, rivalry, and competition at certain times. Besides that, not all businessmen and managers have always behaved following generally accepted principles. The main purpose of this article is to analyze the features of the application of the principle of subsidiarity in management and business in general and in specific examples. The methodological tools of the research are methods of critical analysis of literature and praxeological analysis of human actions. The article presents the results of the analysis of the function and features of the application of the concept of subsidiarity, including functional attributes specific to the principle of subsidiarity and the attributes that contradict it. The examples for the use of the concept of subsidiarity in management and business offered in this paper are not exhaustive. The Motivator-Hygiene theory and job enrichment, workers participation in organization or participation in decision making, corporate social responsibility and microfinance, initiated by M. Yunus as microcredit, Grameen Bank and Grameen Movement, were used as tools for the illustration of attributes characteristic of the principle of subsidiarity. The analysis of functional attributes opposed to the principle of subsidiarity or simulating it was carried out on the example of the theory of bureaucracy dysfunctions, discrimination, corruption, mobbing/bullying, paternalism, Taylorism, or the Scientific Management. The article presents the results of the analysis, which proved that the application of the subsidiarity principle is a specific case of the Aristotelian principle of the golden mean, the pursuit of balance, harmony, equilibrium, i.e., individual, and collective human development and practice of virtues, distributive justice. In this case, however, there is no external criterion that could be used to establish this balance or equilibrium. The research empirically confirms and theoretically proves the existence of an intersubjective and historical evaluation (criterion) subject to manipulation. This situation creates a practical problem for the effectiveness of this principle because people with insufficient knowledge, weak in spirit (weak character), or bad intentions can use this principle for their purposes, explaining their behaviors by ignorance, good intentions, etc.

Keywords: functional attributes of subsidiarity, management & business, practical & ethical aspects, praxeological analysis, subsidiarity, subsidiarity antinomies & antonyms.

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Introduction

In the present paper, we address the issue of subsidiarity that served as a source for building the principle of subsidiarity. The principle of subsidiarity which is present in the social teaching of the Catholic Church (Cremer, 2017; Kelley, 2009; Sison and Fontrodona, 2012), is one of the basic principles upon which the activity and functioning of state organizations and supranational organisms, such as the European Union (Bianchi, 1996; Głuszczuk, 2013; Kelly, 2004; Pimenova, 2016), are based. Subsidiarity is also directly applicable in management and business as one of the forms of collective activity because “despite the conflict of interests, the parties in the market game need each other, and willy-nilly they create a community” that “consists in creating and developing social bonds in economic context” (Woleński and Hartman, 2008: 316).

The purpose of this work is to present both sides of the issue of subsidiarity using examples from literature and practice. On the one hand, numerous positive examples of mutual support, cooperation, help, mentoring, and employee development are known in the activities of business organizations, managers, and businessmen. On the other hand, there have always been conflicts, rivalry, and competition at certain times, and not all businessmen, managers and companies have always behaved according to generally accepted principles. As Niccolò Machiavelli argued, when he formulated the general principle, “whoever helps others to become stronger does so at their own detriment” (Maquiavel, 1994: 22). This anti-subsidiarity principle has also numerous supporters and practitioners, e.g., in selecting colleagues for jobs, those are chosen who will not threaten us in the future in terms of competence, knowledge or aspirations; helping only those who can repay us for it and overlooking those who can give us nothing in return; using others or treating them instrumentally and much more.

The principle of subsidiarity is an ethical/moral principle (Aßländer, 2011; Melé, 2005). According to Bandura’s (1991, 2001) socio-cognitive theory, moral behavior is caused and regulated by the continual exertion of self-reactive influence, as the moral rules and principles themselves do not affect people to take actions, because abstract rules do not provide the information needed to assess the situation and take action until they are supplemented with specific details, and these details are obviously burdened with assessment errors. Man can easily justify his/her immoral behavior as acting in good faith, and this ability increases with the growth of his/her cognitive skills, and in the absence of strong internal standards of self-regulatory influence, human behavior is extremely susceptible to external influences (Bandura, 1991; 2002). Therefore, people without strong personal standards adopt pragmatic attitudes, adjusting their behavior to the requirements of the situation. “Because almost any conduct can be morally justified, the same moral principles can support different actions, and the same actions can be championed based on different moral principles” (Bandura, 1991: 71). For the principle of subsidiarity to work in any business and organization, proper culture and leadership are needed, what would just stimulate subsidiarity and be based on the ethics of trust, honesty, respect, and responsibility (Kelly, 2004; Rego et al., 2007). Empirical studies generally confirm the positive impact of ethical climate and culture on ethical decisions (O’Fallon and Butterfield, 2005). Since shared and practiced values, considered important in business, determine “how this business is put into practice” (Whittington and Gerloff, 2000). The point is that the moral business model should be the dominant one to paraphrase the proposal of Carroll and Meeks (1999) of three models of management ethics (moral, amoral, and immoral).

In the following section, the methodology used was briefly presented. The following section presents the literature review, divided into three subsections: in the first, we define the concept of subsidiarity, the principle, its functions, and application; in the second, we give some well-known examples of subsidiarity in management and business and, finally, we present some examples, that seem to be contrary to the principle of subsidiarity. The third section presents three cases of how the principle of subsidiarity works in the Portuguese economic reality. The closing section summarizes the analysis of subsidiarity in business and management activity.

Methodology

The principal method used in the present study was the critical literature analysis and a semi-systematic review approach which seemed to be the appropriate strategy for this purpose (Snyder, 2019). The literature

78
review is an essential methodological tool in all research fields, given the need to synthesize the qualitative and quantitative increase in knowledge, its interdisciplinarity and fragmentation (Snyder, 2019). The purpose of a literature review may be to summarize current knowledge on a given topic, generate and improve one’s research ideas, perform a critical review of knowledge on a given topic to show the current state of knowledge in a given field, and how the research fits into a wider context (Jesson and Lacey, 2006). When one intends to study a specific topic, which is approached differently in distinct disciplines, a semi-systematic review seems to be a better strategy than a systematic review of the literature (Snyder, 2019).

For the analysis, we applied the general recommendations of the praxeological analysis and evaluation of the action, i.e., practical values, particularly the efficiency and effectiveness of human activity in this matter (Cabała, 2007; Gasparski, 1995; Pszczolowski, 1964). The analysis consisted in the first place of the search for functional attributes of subsidiarity and those contradicting it in the reviewed literature. This analysis made it possible to determine the functional attributes of the subsidiarity principle and those that are contrary to it and present examples from the management literature and business practice. Analyzing the two sides of subsidiarity, we provide examples from the management literature and business practice in general, as well as specific examples taken from the Portuguese socio-economic context. Looking for examples of subsidiarity in the literature and management practice, we applied reasoning by analogy (Kotokivi et al., 2017; Weitzenfeld, 1984) between the functional attributes previously discriminated and the examples with the greatest isomorphism. The analysis and examples of subsidiarity in management and business aim to provide an illustration for the phenomenon and not describe it exhaustively.

Literature Review

1. Subsidiarity – Concept, Principle, Functions, and Application. Subsidiarity is a very abstract concept (Bianchi, 1996), which means supporting (someone or something), helping, facilitating, cooperating, stimulating, encouraging, supplementing, and grassroots development (Duarte and Nacle, 2014; Kelley, 2009; Sison and Fontrodona, 2012). Bringing help and mutual solidarity are the leading standards or ethical directives of social coexistence that apply to everyone in need, not only relatives or friends (Ossowska, 1949/2002; 1970/85). However, according to Ossowska (1970/85), some factors may disturb or limit the fulfillment of the directive to help others, and these are:

- Role rigidity, hermetic assignment to social roles, functions, inability to go beyond the role.
- Institutionalization or nationalization of aid, i.e., the assumption by the state or various institutions of the obligation to provide aid, releases people from taking such actions in the expectation that a responsible state institution will do it.
- Fear of unintended, unwanted, or incidental negative consequences of providing aid, is defended by the “do not get involved” directive.
- Reluctance to interfere in other people’s affairs, enter their privacy zone, and respect the privacy of others.
- Competition, which means that in similar situations but in different spheres (private vs. professional), we apply different ethical criteria, e.g., more demanding in personal matters and more liberal in professional matters.

Economic activity, based on production, services or trade, occurs under conditions of competition between market entities (Woleński and Hartman, 2008). It causes a particular problem in applying the principle of subsidiarity, as there are often conflicts of interest, perceived as a game of sum zero, apart from the above resulting from the application of Machiavelli’s principle and the fact that aid requires effort, i.e., generates costs.

Derived from the concept of subsidiarity, the ethical principle of subsidiarity says that a more significant and higher-ranking subject should not perform functions that can be effectively performed by a smaller and lower-ranking organism, while the former should support and help the latter (Gussen, 2015; Kelley, 2009; Kelly, 2004; Melé, 2005). Some authors (e.g., Latimer, 2018) distinguish between the secular and theological sense of subsidiarity, while others implicitly merge the two (e.g., Sison and Fontrodona, 2012), just as in this article. In the positive aspect of the principle of subsidiarity, a higher-ranking entity with greater competences and capabilities makes decisions that override the interests of lower-ranking entities, to guarantee the expected results, common prosperity, common good (Duarte and Nacle, 2014; Sison and Fontrodona, 2012), as the highest levels of government should only perform functions of ensuring public goods that cannot be effectively delivered by lower-level authorities (Bianchi, 1996).

The principle of subsidiarity is moral/ethical law (Anguita et al., 2014; Aßländer, 2011; Kelley, 2009). It is the normative principle (Duarte and Nacle, 2014), sufficiently ambiguous to justify different motives for
actions/decisions taken (Bianchi, 1996; Pimenova, 2016); acting on a case-by-case basis and difficult to operationalize (Pimenova, 2016). In the classical approach, it refers to the lack of state intervention in a liberal state, but raised to a constitutional level, it means a material element necessary for the sustainable development of the economy (Duarte and Nacle, 2014). The subsidiary state ensures the economic development of private entities, engaging in social relations only when necessary and solely to ensure the common good (Duarte and Nacle, 2014).

The principle of subsidiarity applies mainly to political science and law (Pimenova, 2016). It was introduced into European legislation to facilitate the transition from the European Community to the European Union, to determine at what institutional level (European, national, regional, or local) decisions concerning its development are to be made and to solve potential conflicts arising between the EU and national states (Bianchi, 1996). Anguita et al. (2014) propose the application of the principle of environmental subsidiarity as an essential conceptual tool necessary for the sustainable management of forest resources. Zurita et al. (2015) consider the principle of subsidiarity crucial in disaster management to help guide and define allocations of disaster governance tasks as it already shapes disaster and their mitigation. On the other hand, Kelley (2009) believes that the principle of subsidiarity should be applied when it comes to reducing poverty. Kelly (2004) presents the principle of subsidiarity and solidarity in the form of organizational and guiding principles necessary to transform public and private institutions so that everyone can benefit from the global economy. The principle of subsidiarity is closely related to the principle of solidarity (Aßländer, 2011; Duarte and Nacle, 2014; Kelly, 2004; Melé, 2005) and both are often mentioned and applied simultaneously (e.g., Cremers, 2017; Kelly, 2004; Ossowska, 1970/85).

Reviewing literature from various fields of knowledge, we searched for the functional attributes of the principle of subsidiarity. The functional attributes of the subsidiarity principle were presented in Table 1. Likewise, literature was reviewed to determine functional attributes that oppose this principle, as shown in Table 2.

Table 1. Functional Attributes of the Subsidiarity Principle

| Decentralization of power, decentralization of decision making (Anguita et al., 2014; Bianchi, 1996; Głuszczuk, 2013; Gussen, 2015). |
| Guarantee a certain independence of lower-level authority from higher-level authority, or local authority from central authority (Pimenova, 2016). |
| Stimulating, supporting, and supplementing the efforts of individuals and social groups (Głuszczuk, 2013). |
| Protection of social interests, strengthening of civil society (Duarte and Nacle, 2014), providing public goods, assigning to the center of the role of the guarantor of integration (Bianchi, 1996); sharing tasks in civil society between governmental and private actors (Cremers, 2017). |
| Problem-solving at the lowest possible level (Głuszczuk, 2013); governing functions exerted as close as possible to the people affected (Zurita et al., 2015). |
| Creating conditions by higher-level institutions enabling weaker members to effectively participate in the collective game and fulfill their social role (Bianchi, 1996). |
| Formula of equilibrium in economic activity, a necessary measure of sustainable economic development (Duarte and Nacle, 2014); conditio sine qua non for sustainability (Gussen, 2015); efficient use of resources (Zurita et al., 2015). |
| Possibility to organize matters in the most appropriate way for subordinates; positive freedom of action independent of the regulation of the superiors (Aßländer, 2011); self-organizing principle of complex systems (Gussen, 2015). |
| A strong relationship management instrument between decision makers (Bianchi, 1996); heuristic tool (Kelly, 2004), reflective principle (Melé, 2005). |
| Help to maximize benefits for all stakeholders (Anguita et al., 2014; Kelly, 2004); providing mutual benefits (Cremers, 2017). |
| Division of competences (Duarte and Nacle, 2014). |
| Principle for the allocation of responsibilities (Mosert, 2015). |
| Participation, employee participation (Anguita et al., 2014; Goodpaster et al., 2018; Kelly, 2004); co-management, co-decision making and decision complementarity (Bianchi, 1996; Kelly, 2004); free and not imposed cooperation, delegation of power (Anguita et al., 2014); democratic engagement (Zurita et al., 2015). |
| Developing the talents, skills, competences and initiatives of employees and groups (Cremers, 2017; Goodpaster et al., 2018; Melé, 2005). |
| Contribution to human flourishing; developing human potential (Anguita et al., 2014; Cremers, 2017; Melé, 2005). |
| Human empowerment (Anguita et al., 2014; Kelley, 2009; Melé, 2005); empowering local communities with autonomy (Gussen, 2015); recognition of human dignity, free initiative, free will, respect for human freedom and diversity as well as responsibility (Anguita et al., 2014; Cremers, 2017; Duarte and Nacle, 2014; Kelly, 2004; Melé, 2005). |

Source: Compiled by the author
In the two-factor (dual-factor) theory of motivation, also known as the theory of motivation-hygiene, it is assumed that dissatisfaction with work results from insufficient external conditions of its performance and is related to the animal nature of man and primary needs (physiological, safety and social/belonging needs in the Maslow hierarchy), the practical expression of which are workers’ demands for wage increases, a better working climate, other types of supervision, safe working conditions, etc.; while job satisfaction, i.e., a motivating factor, results from the nature of the work performed and is related to the human nature of a person and secondary needs (respectesteem and self-actualization needs in the Maslow hierarchy), the practical expression of which are demands regarding the type of work, greater responsibility, involvement in the decision-making process, promotion, recognition of achievements and performance of more demanding tasks. According to Herzberg (1968, 1996), the factors/causes of dissatisfaction with work are different from the causes/factors determining satisfaction because the opposite of satisfaction is a neutral state (no factors stimulating satisfaction), and the opposite of dissatisfaction is also a neutral state (no factors causing dissatisfaction). In the two-factor theory of motivation, Herzberg does not focus so much on human needs but on the rewards (heterotelic/external and autotelic/immanent) obtained by the employee from work performed (Chambel and Curral, 1995). According to Herzberg (1968; 1996), job enrichment consists of transforming the performed tasks so that they acquire the characteristics appropriate for the motivating factor (increasing job satisfaction, not reducing the level of dissatisfaction). The point here is to limit the excess of control, increase the initiative and autonomy of the employee, assign him/her a set of interrelated activities rather than just a part of them, give him/her authority, and introduce new and more difficult tasks not performed by him/her so far, which will enable him/her to become a specialist and provide him/her with periodic reports on the evaluation of the work performed. Thanks to job enrichment, the responsibility of employees (subordinates) increases. At the same time, the need for control and supervision of their work by their superiors is reduced, which increases the efficiency and quality of work and reduces absenteeism and staff turnover (Herzberg, 1968; 1996). The application of the two-factor theory of motivation is Frederick Herzberg’s pioneering contribution to the contemporary process known as empowerment (Herzberg, 1996).

There are different attitudes of employees when it comes to organizational participation, e.g., active, passive, and zero attitudes, or a dichotomous division into a participatory attitude and an attitude focused solely on remuneration/salary (Freire, 1993). Participation in an organization can take many forms: through the work done and the functions performed, all members of the organization participate in it daily, regardless of whether they are clerks, workers, or managers; by owning stock or shares of the company, investors, owners, or shareholders play an essential participatory role in the organization, etc. All these forms of participation can be reduced to the extent to which each of these groups affects the goals of the organization, i.e., decisions made in the organization, therefore participation will be limited to a decision-making process, and we will limit the analysis mainly to the participation of employees/subordinates (Harrison, 1987; Mączyński, 1998). The participation of subordinates in the decision-making process has two main functions: instrumental/heterotelic (by influencing decisions, they can shape them so that they...
reflect their interests, not only the interests of the company or their superiors), and autotelic (an opportunity to get involved in the process in which significant decisions are made for them and for the company, the opportunity to develop knowledge and skills, participation in team effort, a sense of participation in solving the company’s problems). The involvement of subordinates in the decision-making process can sometimes be counterproductive, jeopardizing the efficiency of the organization’s activity and day-to-day operations: if management has enough information to make a good decision and subordinates do not, engaging the latter may jeopardize the quality of decisions, as participation gives subordinates a high degree of control over the choice of problem-solving methods; another situation where an overly participation style of management is inappropriate is when subordinates do not share the organization’s goals (Mączyński, 1998); employee’s participation in the decision-making process can be costly when time is scare and decisions need to be made swiftly.

The participation of subordinates in making decisions (solving organizational problems) may, however, be beneficial for the organization and for employees involved in this process: employee participation can improve the quality and effectiveness of decisions made; involvement of subordinates in the decision-making process plays a motivating role in the process of implementing decisions, because people usually support what they contributed to, and as result, there is less resistance to how the problem is solved (this phenomenon is of great importance in the processes related to organizational change, as it may contribute to its success or failure); participation increases the decision-making skills of subordinates, develops their competences and minimizes the need to create hierarchical levels; the higher the level of decision-making commitment of subordinates, the greater their job satisfaction (Harrison, 1987; Mączyński, 1998); the participation of subordinates also affects their morale and attitudes towards their superiors; in a situation of conflict between subordinates over the way of solving problems (conflict at the level of means but not goals), a more participatory style of management is preferred (conflict can play a positive role, increasing the quality of decisions when bosses use a confrontational strategy rather than avoiding conflicts) (Harrison, 1987; Mączyński, 1998); employee participation in decision-making processes contributes to greater group cohesion, greater cooperation between group members and strengthens identification with the company and its goals; participation also strengthens the feeling of loyalty to the company (Harrison, 1987; Mączyński, 1998); when subordinates participate in the process of solving problems, the need to communicate the decisions decreases (people involved in this process understand better the ideas behind the decisions and the role they will play in their implementation). The participatory style of company management creates favorable conditions for a fuller use of the accumulated resources of human capital (i.e., the abilities and skills of subordinates), which means that “this capital is not wasted” and “habits of autocratic management limit the possibility of improving the skills of subordinates and inhibit the development of the organization” (Mączyński, 1998: 118–9).

Corporate social responsibility (CSR), or sustainable development, in the economic, social and environmental dimensions (3 P’s – people, planet & profit), arouses constant and growing interest in business and science. However, CSR considerations have moved far away from the initial issues regarding the value of CSR for owners/shareholders and the impact of CSR on the company’s financial results, currently focusing on the processes and mechanisms used by companies to fulfil their social obligations and to assess the social and environmental performance of activities, going well beyond the essential function of companies to produce and sell products/provide services (Wang et al., 2016). From a technical point of view, CSR is intended to raise ethical standards in making organizational decisions and to ensure compliance of the management’s activities with social norms. Politically, CSR defines a company’s voluntary commitment to social and environmental issues beyond its economic activities. However, starting from the principle of subsidiarity, CSR becomes a specific co-responsibility of the company, going beyond good management practices and arising from its role as an intermediary social actor (Afländ, 2011). Companies strongly and sincerely committed to socially responsible activities also attract highly committed and goal-oriented employees; however, corporate social responsibility depends on its institutional context (Wang et al., 2016).

Microfinance is a concept that encompasses different financial services, such as small loans, microsavings, micropayments, microinsurance, etc. At the same time, microcredit only refers to a loan of a small amount (provision of credit) for the poor and excluded, especially women in developing countries, who do not have access to the traditional banking and financial system (Ashta and Mor, 2022; Ibrahim et al., 2018).
Born in an overpopulated, poor, and haunted by disasters, including famine, Bangladesh (then Pakistan), Muhammad Yunus, a university professor, and economics doctor, who did not intend to be a banker, created the Grameen Movement, the source of numerous innovation programs to lift rural population out of poverty (Cordeiro, 2020; Enderle and Arruda, 2004; Yunus, 2004). He found himself in a very problematic situation, when he was teaching wonderful economic theories at the university and left class, he stood among the dying people around, not because of war or disease, but because they had nothing to put in their mouths (Yunus, 2004); “everything that I taught in the classroom was just useless words” (Yunus, 2004: 17). It all started with a small loan amount of 27 USD Muhammad Yunus made to 42 people in 1975 (Arruda and Enderle, 2004; Yunus, 2004). In 2000, Grameen Bank helped 2.3 million borrowers in rural areas, mainly women (94%), in Bangladesh, and 223 programs operating on its terms in 58 countries served the same purpose. Microfinance has a long history (e.g., Ashta and Mor, 2022; Cordeiro, 2020).

Microfinance has now become an essential complementary tool in combating poverty, reducing inequality, increasing income and improving the response to emergencies, as well as improving living standards and consumption conditions, empowering women, integrating economically excluded people and contributing to their financial independence, through the development of economic activity and self-employment; it can help make the transition from humanitarian aid to sustainable development, etc. (Ashta and Mor, 2022; Cordeiro, 2020; Ibrahim et al., 2018). Microfinance (including microcredit) in different parts of the world paint another picture: in developing countries, there is gender discrimination in favor of granting loans to women and microcredit was a success due to its innovative form of loan (group lending with self-monitoring, short repayments, instalments), profitability, loan loss rate of less than 1%, etc., while in developed countries its effects have varied as there are no incentives for people to move from welfare to self-employment, stiff competition makes it difficult for small businesses to survive, and low-income households lack the specialized skills to run a small business due to the high level of competition and barriers to entry, etc. (Ashta and Mor, 2022). “Microcredit, and later microfinance, fit in well with this image of trying to do well by doing good” (Ashta and Mor, 2022: 230-231).

The examples presented above were taken out of context, and their proximity to subsidiarity was emphasized by analogy to the functional attributes proper to this principle. In everyday reality, they do not need and sometimes do not just have a positive interpretation only, although the positive reading seems to be generally the closest and most dominant. Naturally, they can be analyzed in many ways, including ethical theories (deontology, utilitarianism/consequentialism, virtue ethics, etc.), i.e., as examples where the emphasis is on intentions, the outcomes/results of action, character shaping/development, and so on. With the presentation of illustrative examples from the literature, it is not intended to deepen the discussion of each of them, since this would go beyond the scope of this article. Examples presented are classic themes in the field of business and management; they have a vast literature, and discussing them would divert attention from the reasoning related to the paper’s main objective, which is the analysis of subsidiarity in business and management.

3. Antinomies and Antonyms of Subsidiarity in Management & Business. After explaining the concept of subsidiarity and the principle based on it, it is worth reflecting briefly on what does not comply with this principle, what is contradictory, and what only appears to be inscribed in its content. The daily activities of organizations and their processes expose individuals and groups to various pitfalls and problematic situations, which they often do not realize or ignore. Their ethical dimension is sometimes disguised as the practical dimension or goal of professional and/or organizational activity. In the proposal of Carroll and Meeks (1999), this issue includes amoral and immoral models of management. Here are just a few examples that are well known from literature and everyday life/practice, which constitute functional attributes opposed to the principle of subsidiarity: bureaucracy dysfunctions, discrimination, corruption, mobbing, paternalism, and Taylorism.

Excesses or dysfunctions of bureaucracy are the negative effects of bureaucracy (formal and rational organization), well known from practice and literature, which reduce the organization’s efficiency (Pszczołowski, 1978; Zieleniewski, 1969/79). Max Weber’s bureaucracy is a rational organization’s idealization, abstraction, and utopia. In contrast, we are dealing with a mixture of formal and informal organizations every day because people have emotions, preferences, aspirations, better and worse days, etc., which affect their actions in organizations and achieved results, as well as the functioning of the entire organization. These unforeseen and undesirable consequences, referred to as dysfunctions of bureaucracy (e.g., internalization of rules and regulations, excessive formalism, resistance to changes, apathy and
alienation alongside order and control, anonymity in social relations, depersonalization of interpersonal relations, centralization and hierarchization of decision-making, the culture of subjugatory dependency, trained incapacity, demonstration of signs of power, etc.), do not serve to provide aid, and frequently make the necessary support unreal (Chambel and Curral, 1995; Chiavenato, 1983; Pendola, 2019). These dysfunctions are usually assigned to the public sector, but they are well known in the private sector because the greater, the more complex, and the longer an organization operates in the market, the greater the tendency for this type of phenomena to occur and the greater structural inertia. Hannan and Freeman (1984) wrote about this last phenomenon.

Discrimination at work, but not limited to, is treating people or groups that differ in some way (e.g., race, sex, age, religion, disability, nationality) differently than the remaining people, constituting the majority. It denies the right to equal treatment and rejects the United Nations Universal Declaration of Human Rights (Woleński and Hartman, 2008). Cases of discrimination in management and business are well known and still relevant: lower remuneration of women’s work compared to men for performing the same tasks or performing identical functions or harassing pregnant and breastfeeding women (Alteri, 2016); marginalizing, degrading and humiliating older people at work, despite the extension of the statutory retirement age in many countries or difficulties in finding a job by unemployed people over 50 (Malos, 2015; O’Loughlin et al., 2017); advertising and promotional campaigns that give preferences to one nationality over others (Caroll and Meeks, 1999), etc.

Corruption in various forms (bribery, nepotism, cronyism, clientelism, etc.) is “manifestation of violation of the basic ethical standards of social life” (Doliński, 1995: 19), which harms the economy, society and the state (Jarosz, 2007), because it touches the core of democracy and its values, such as justice, transparency, equality, the rule of law, impartiality, integrity, free and fair competition (Sousa, 2011). It threatens values, goals and institutions considered important to maintaining social stability (Makowski, 2008). Corruption, regardless of culture or systems of government, is ubiquitous; its concept is fluid, flexible and multi-faceted, with complex dynamics, as it depends on the context and connotation, while its definition in criminal law depends on the times and political will (Sousa, 2011). Corruption is a social power relations phenomenon (Sousa, 2011). It is a mutually beneficial, hidden, and most often illegal exchange of goods or provision of services in which the group or individual interest (private interest) is satisfied at the expense of the social interest (Jarosz, 2007). The causes of corruption vary; it depends on the historical context; may result from the innate predispositions of the people involved; the state of the nation and law affect its universality, intensity, and type; „social inequalities are indicated as a factor explaining the prevalence of corruption in a given society” (Sousa, 2011: 45). Just as there is not one single cause, there is not only one solution to this problem. A decrease in public trust accompanies the increase in corruption, and vice versa (Newton, 2004; Sousa, 2011).

Mobbing/bullying, i.e., long-term, repetitive, pathological behavior in relationships or at work, psychological violence, and aggression (harassment, stalking, intimidation, threatening, blackmailing, slandering/defamation, ridiculing, negative image building, ostracism, etc.), known practically since always, which may intensify with the increase in competition between employees and the intensification of competition in the market (Kowal and Gwiazda-Sawicka, 2018; Szmidt, 2012; Radzka, 2012). The increased pressure to obtain results related to the individual performance evaluation of employees increases competition. It creates a situation of uncertainty and threat, destroying the cohesion of the group, which in turn makes mutual support impossible under challenging times (Radzka, 2012) and the search for “scapegoats”. Mobbing, as an element of organizational culture, is the result of the interaction of three structural and processual factors of the organization: enabling (large differentiation of status, position and power; authoritarian leadership; high degree of control, etc.), allowing (stimulating rivalry/competition; pressure to achieve goals; connection performance-related remuneration; strongly formalized interpersonal relationships, etc.) and liberating (organizational change; crisis situation; introducing innovations; situations of uncertainty, threats and powerlessness, etc.). (Radzka, 2012).

Paternalism toward adults raises serious moral issues (Godwin, 2020), related to “interpersonal interventions that occur within thick relationships of trust and support” (Sullivan and Nicker, 2018: 666). Paternalism is usually criticized for two reasons: first, paternalism undermines human freedom because it deprives people of autonomy, of control over their own lives; secondly, it harms people and society because it takes away people’s sense of responsibility, who become passive and dependent (Baggini and Fosl, 2010). Paternalism in labor relations is characterized by the superior’s caring and overbearing attitude towards subordinates,
depriving the latter of autonomy and subjectivity. It provides the employee with security and protection against labor market turmoil. Still, it simultaneously places him/her in a situation of subordinating his/her identity to the “stronger and better educated” supervisor/boss (Warren, 1999). In paternalistic labor relations, rights and obligations are often blurred and understated, and power and interests are unevenly distributed between subordinates and superiors, favoring various forms of injustice (Warren, 1999). Political and organizational cultures, especially of traditional societies, are characterized by paternalistic labor relations, oscillating between caring paternalism and abusive one (Lopes and Correia, 2003), or authoritarian paternalism and new practices of refined paternalism (Warren, 1999), in which the entrepreneur creates sufficient working conditions and remuneration, consistent with what is practiced in the immediate environment, while the employee respects the owner of the company as if he were his father (Lopes and Correia, 2003), he/she does what he/she is told without creating problems and contributes to the prosperity of the company (Warren, 1999). The paternalistic model of human resource management is deeply rooted in labor relations and, although it creates a flexible and trust-based relationship between a superior and a subordinate, it is morally mismatched with democratic societies and responsible citizens (Warren, 1999).

Taylorism or scientific management is a work rationalization system developed by F. W. Taylor (1856-1915) and his disciples, consisting in: a clear division of labor into conceptual/intellectual (reserved for superiors: engineers, specialists, organization and planning technicians) and executive/physical (belonging to manual workers); the use of the scientific method in industry (rationalization of factory operation depends on the systematic rationalization of different functions, workplaces, and tasks; hence the work/production process must be subject to rigorous analysis, observation, division into stages and movements, measurement of working time, elimination of dead times and unnecessary movements; remounting actions and movements necessary to complete the task, we will have the only and best way to accomplish the task – one best way); simplification of executive tasks (tasks are as simple as possible); individualization of work (teamwork reduces productivity, and lower productivity lowers remuneration, which causes employee dissatisfaction); selection and training of executive/manual personnel (psychophysical adequacy of the worker to the work performed) (Bernoux, 1989; Derksen, 2014; Freire, 1993; Taylor, 1972; 1972a). The basic criticism of Taylorism was related to the excessive division of labor, the repetition of performed activities, tasks and routine, the exposé of homo economicus – a worker motivated only by financial remuneration; maladjustment of the job to the employee, loss of wider qualifications/skills, dehumanization of work (Bernoux, 1989; Derksen, 2014; Freire, 1993). Beyond the theoretical and critical discussion of different origins, scientific management in practice was not free from disappointment, and some critical concepts, such as “reducing a worker to machine”, have entered the common sense topoi of work (Derksen, 2014).

As in the previous section, we did not undertake an extensive discussion of each of the examples given here as this is not the purpose of this article and does not seem to contribute to a better illustration or understanding of the two sides of subsidiarity in business and management. It could distract the reader’s attention from their relationship to the main problem of subsidiarity (and its two sides) and undermine the reasoning developed here.

**Three Examples of (in)Action of Subsidiarity Principle in Management & Business Practice in Portugal.**

To have a complete picture of the functioning of the principle of subsidiarity in the practice of economic activity, it seems appropriate to trace its action and inaction or insufficient action in different contexts and on specific examples. We present three examples of (in)action of subsidiarity principle from the economic reality of Portugal: the problem of the spread/inequality of remuneration for work; the “Portugal Sou Eu” program (“Portugal is me”), in which the state takes on the costs and organization of the promotion of domestic products mainly small and medium-sized companies and the last case of the provision of educational and care services by the state in the competition to existing private sector structures. All three examples are, of course, multidimensional and subject to a variety of more comprehensive interpretations and analyses. It seems, however, that they adequately illustrate the problem of applying the principle of subsidiarity in business practice, both positive and negative.

In mid-May 2018, the Portuguese media reported that the salaries of top managers of the top 20 companies listed on the Lisbon Stock Exchange (PSI-20) had been made public. Companies such as Galp, Sonae SGPS, Semapa, Navigator, Jerónimo Martins, Santander, and BPI are some of the PSI-20 group companies that paid their CEOs over a million euros in salaries during the year (Barreto, 2018). While in 2014, the CEOs of PSI-20 companies received an average annual salary of 708,000, in 2017, their salary increased to 996,000 gross, according to company reports that included fixed and variable salaries, premiums and contributions to
pension funds (Barreto, 2018). The CEOs of the PSI-20 companies earn an average of around a million euros a year, much more than three years earlier, at the end of the crisis in Portugal. Since then, their salary has increased by more than 40%, accompanying the increase in profits made by their companies in the securities market. CEOs of these companies earn, on average, 46 times more than the average salary of an employee of these companies. Until 2014, the wage gap did not exceed 33 times the average salary of employees of companies. Salary growth is not limited to company CEOs, as other members of the board of directors and supervisory boards also recorded increases in their revenues. In total, the management costs of these companies increased by 43% in three years (Barreto, 2018). The average salary received by the employee of the above-mentioned companies did not increase, remaining at the level of slightly more than EUR 21,000 per year. The average cost of an employee was EUR 32 thousand, which means its decrease by 2.7% compared to 2014, considering costs such as wages, bonuses, other charges, and compensations (Barreto, 2018). While expenditure per employee has not changed since 2014, personnel costs increased by 16% due to the increase in employment. At the end of 2017, the above-mentioned companies employed almost 250,000 employees, increasing employment by 35,000 people in three years (Barreto, 2018). Over the past three years, the accumulated profits of listed companies have increased by 50%. This performance improvement is one of the reasons for the increase in the salaries paid to top managers.

The company with the lowest average cost of the employee was Jerónimo Martins, which in 2017 paid over two million euros in salaries to the CEO, Pedro Soares dos Santos. The average salary cost of an employee was less than EUR 13,000 per year. Pedro Soares dos Santos thus earned 155 times more than the average employee, while in 2014, his salary was only 57 times higher than the average salary (Barreto, 2018). At the same time, as reported by Lima (2018), the fiscal benefits obtained by Jerónimo Martins in 2016 to create new jobs amounted to more than 1.3 million euros. Of course, not only did Jerónimo Martins receive fiscal benefits and huge support from the Portuguese state to create new jobs, but companies such as EDP, Sonae, Galp, Navigator, CTT, and even the temporary employment Teleperformance Portugal (Lima, 2018). The disproportions in earnings in other countries are even greater; e.g., in American companies, the CEO’s earnings about the earnings of employees were almost 190-200 times higher (Barreto, 2018; Ledford, 2014), and in Germany, about 150 times, and in Switzerland 130 times (Barreto, 2018).

The salaries of CEOs and top management of companies are an interesting subject of research and a hot topic in the media and political debate (Aguinis et al., 2018). Top management salaries of companies in developed countries are unclear. They are influenced by several factors (experience, tenure, manager/company reputation, company size, performance, luck, etc.) Although they are subject to public scrutiny and disclosure requirements, they often cause public outrage or seem unfair as they concern income inequality in societies that promote free and fair competition and a certain level of political and economic equity (Michaelson, 2015). In most developed countries, the gap between rich and poor reached its highest level in the last 30 years, based on the OECD report from 2015. Although in the 1980s, 10% of the richest earned seven times more than 10% of the poorest, it is ten times the difference now. In the OECD report, Portugal was ranked 8th on the list of 33 countries in terms of inequality, according to the Gini coefficient (Pereira, 2015). Keeping payroll costs low is a tactic, not a strategy (Ledford, 2014). “Business leaders must lead on employee rewards” (Ledford, 2014: 176).

“Portugal Sou Eu” (http://portugalsoueu.pt), ("Portugal is me") is the name of a long-term program to support national production (products, services and handicrafts). It aims to enhance the national supply of high-value-added merchandise and services and promote informed consumption among consumers, thanks to an active and identifiable brand/logo of national products. The “Portugal Sou Eu” program is an initiative of the Ministry of Economy, approved by Resolution 56/2011 of the Council of Ministers and initiated in 2012, addressed mainly, but not only to, small and medium-sized enterprises in Portugal. This program can be seen as one of the elements for rebuilding the economy from the recent recession and increasing Portugal’s pride in national production. The product must be at least 50% of national origin to join the program and use the “Portugal Sou Eu” trademark (Canário, 2015). It cannot be a ready-made product from outside Portugal. The awareness of the “Portugal sou Eu” brand, according to market research carried out with a target sample, is low in society, as the previous national brand “Compro o que é Nosso” (“I buy what is Ours”), started in 2006, remains in the minds of the Portuguese, as well as small is the contribution of companies to the dissemination of the new brand. In addition, the information on the product that it is “made in Portugal” does not always indicate a higher quality perception or the consumer’s willingness to buy (Canário, 2015). A recent survey shows that 78.4% of the companies cooperating with the brand believe they have benefited from joining the “Portugal Sou Eu” program (Gonçalves et al., 2017).
Portuguese bishops gathered at the Portuguese Episcopal Conference (PEC) at the end of 2017 expressed their concern and surprise because they do not understand why public schools and nurseries are being opened in the vicinity of existing and well-functioning institutions (Roque, 2017). The Portuguese bishops are concerned about the situation of some Catholic schools, and they accuse the state of disrespecting the economic entities that have been operating in this market for years. The final statement of the PEC plenary assembly states that “considering the serious difficulties faced by numerous well-deserved social and educational institutions, the bishops recall the principle of subsidiarity, which is to lead the state towards respecting and supporting them, without creating unnecessary competition, and the rights of workers and families” (Roque, 2017). At a press conference, Cardinal Patriarch of Lisbon and President of the PEC, Manuel Clemente, stated that the pressure to open institutions alongside existing ones that had proved to be fulfilling their role was unacceptable. “If these institutions can cope, are already in place, have employees, carry out their tasks well and with appreciation, do we have to formally create another institution right next to it, which will threaten the well-functioning one? It is where the principle of subsidiarity comes in handy” (Roque, 2017). When asked if there was any recent case of disrespect that would force bishops to recall the principle of subsidiarity, Cardinal Manuel Clemente replied that „not one but several” and stressed that he did not understand why the state did not decide to support those institutions that operate for decades, instead of opening new ones (Roque, 2017).

Conclusions

In this paper, the author analyzed the issue of subsidiarity in management and business practice; we defined the concept, presented its applications in different fields, and described the functional attributes of the subsidiarity principle, as well as the attributes that are functionally opposed to this principle. This analytical compilation, supported by contributions of several authors from the reviewed literature, allowed, in turn, to review and select examples of applying the principle of subsidiarity in business practice and management theory. Of the many examples of subsidiarity in management and business, some were briefly presented. Based on the literature, the analysis of functional attributes contradicting the subsidiarity principle gave the opportunity to present selected examples that are antonyms and/or antinomies of subsidiarity in management and business, i.e., practices or concepts that appear to contradict or simulate this principle. The action and inaction or insufficient action of the principle of subsidiarity in the practice of economic activity have been presented on three specific examples taken from the economic reality of Portugal, which provide a more complete picture of the phenomenon of subsidiarity in business and management.

Most of the literature on subsidiarity addresses political and legal issues. This topic boils down to just over half a dozen references in management sciences and related disciplines. The focus on both sides of the subsidiarity phenomenon seems to have allowed us to bring some balance to the perspective of applying this principle in business and management practice. As we did not confine the approach outlined only to positive cases and the successful application of subsidiarity in management, it brings a warning about potential practical problems and somewhat reduces exaggerated expectations.

The application of the principle of subsidiarity is a specific case of the Aristotelian principle of the golden mean, striving for equilibrium and harmony (e.g., Cremers, 2017), i.e., the pursuit of development (individual and collective) and the practice of virtue, distributive justice. However, there is no external criterion from which this equilibrium or harmony can be determined. The only thing we have at our disposal is an intersubjective and historical evaluation (criterion) that can be manipulated. This situation creates a practical problem of the effectiveness of this principle, as people with insufficient knowledge, weak in spirit/character or with bad intentions may use this principle for their purposes, explaining their behavior with ignorance, good intentions, etc.

There is a wide range of known and available measures in business organizations that can reduce or alleviate, but do not entirely eliminate, the problems of applying subsidiarity in practice, such as control and supervision during execution, internal/external audit, auditor exemption, ombudsmen, ethics committees, SOS hotlines, training and awareness-rising activities, codes of conduct/ethics, whistleblowing, etc. However, these measures come at cost and when inconsistent and out of date, can have conflicting and harmful effects. What seems to work best is an ethical approach based on a culture of values and trust. There is a sincere commitment from management at all levels, communication is transparent, employees are treated fairly, and ethical conduct is rewarded. Applying the principle of subsidiarity also means fulfilling
Kant’s categorical imperative, i.e., not instrumentalizing other people, but treating them always as an end, never only as a means.

Subsidiarity can also be found in the attitude of “spolegliwy opiekun” – trustworthy guardian, i.e., someone good, sensitive to other people’s needs, kind to their subordinates, willing to provide them with necessary help, someone who can be relied on and who can be trusted (Kotarbiński, 1986; 1987). A trustworthy guardian is a responsible man, a model that embodies universal and timeless values (Łobocki, 1997). Subsidiarity in business is a humanistic, not technocratic, approach, where the human/employee is the starting point and the end point, not just a means to an end, a human resource. The principle of subsidiarity is not a mechanism, and it is undoubtedly not an automatism. It does not work by itself but must be constantly activated by someone and put into action. Its performance must be supervised, and the effects of its (in)action or insufficient or incorrect action analyzed/evaluated. Applying the principle of subsidiarity, as with any moral behavior, requires knowledge, intentionality, and conscious action. This action is judged from the point of view of good and bad following the personal standards of the agent and the situational circumstances (e.g., Bandura, 2001). For the principle of subsidiarity to work, it is necessary to develop a culture (moral business) and leadership (transformational leadership) that reward this behavior and condemn behavior that is opposite or disguised as behavior based on this principle. Since “Personal virtues facilitate institutional or corporate virtues in the same way that institutional or corporate virtues facilitate personal virtues” (Sison and Fontrodona, 2012): 230. Applying the principle of subsidiarity requires prudence (Kelly, 2004) and reflection on the essential factors of the existing situation (Méld, 2005) because its operation is a heuristic search for solutions in dialogue with stakeholders without imposing predetermined results/solutions.

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