

Can people enjoy working in capitalism? Or does the one exclude the other?

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Abstract

In today's business reality people seem to play a less and less important role, despite the fact that most companies claim that people are their most important asset. In capitalism people are seen as a cost element only, and if labor is cheaper somewhere else, than the work will move there, regardless of the impact on the existing workforce, their families and the societies they live in.

To answer the question in the title: Yes I am convinced people can enjoy working in capitalism, but not in a capitalism as it is lived today.

Situational Analysis

The supporters of a completely free market economy argue that the markets are developing best in countries with high inequality and in democratic countries without too many regulations, except the ones defined by the WTO which support the free economy as long as the interests of capital is guaranteed.

In the past it was commonly accepted and understood that each economy needs a framework of rules in which it can develop and prosper. This was and is the case in national economies and also to a high degree in the European Union. At a worldwide level we don't have this framework.

Any globally defined social, ecological and cultural rules and regulations as defined e.g. by the Global Compact and by the Global Marshal Plan initiative, are resisted and are seen as negative to the growth of worldwide trade. Officially more than 1000 companies have signed the Global Compact but do they really apply the principles and live them constantly? Because the defined rules are voluntary, most companies say they would like to live by them but that the competitive environment doesn't allow it.

Capitalism today is focusing on shareholder value only, without taking real responsibility for the interests of the other Stakeholders (like customers, employees, society, environment).

It doesn't want to be limited by rules and regulations which limit its activities and which limit its potential margins. If it is at all interested in taking responsibility beyond the shareholders interest it wants to do this voluntarily. But because some competitors don't do it in the end nobody does it.

If the current trend continues, this will finally lead to a "race to the bottom", which will lead to unsolvable problems in the industrialized nations. It will also prevent the developing countries, especially the people in those countries, from benefiting from the wealth creation.

Looking back to the early days of capitalism, we had a situation which in some parts of the world we are now moving to, like working seven days a week, child labour etc. Workers didn't have any rights. The owners and capital were only concerned about their own interest. And only over time, when the workers could organize themselves in unions, did the situation improve substantially. But this didn't happen without major conflicts.

After this initial period of industrialization the situation improved considerably and it was common understanding that overall wealth could be created only if all levels of the society could benefit from the wealth creation. The working class should benefit from the economic development. People should be able to buy the products they produce. As Henry Ford put it: *"Each worker should earn enough to buy a Ford automobile."* Society can only prosper if there is a broad and strong middle class. When this was the case, the gap between rich and poor decreased e.g. from 1947 to 1968 the gap decreased by 7,5 %. It was easier to move from poor → middle → rich. But today we have an opposite trend, less and less people can afford to buy the products they produce and the gap between poor/middle class and rich is widening. In the United States there are signs that the middle class is disappearing and it is very likely that Europe will follow if we don't reverse these trends.

In the last 100 years the development of a society was depending mainly on labor resources in the home markets, the wealth creation was shared between the owners and the people, which lead to a situation where the standard of living grew fast. An excellent example of this is Ireland.

But now in a situation where , because of new technologies (Information and telecommunication technology, the Internet and the transportation industry), companies are not any more dependent on labor in the home countries, **labor can be used from everywhere.**

World wide we see overall a strong growth in jobs, but because labor is now available everywhere and can be accessed by anybody, jobs are moving to locations where the costs are the lowest. We discuss today in the industrialized nations mainly the loss of production jobs, which is indeed a problem, but the much bigger problem is not seen yet. The threat to the services jobs is much higher. All back office functions, which represent between 20 and 60 % of all labor in companies and governmental institutions, can be delivered from highly educated work forces in low cost countries.

There is another major difference compared to the past. The number of people in the developing countries like India, China, Indonesia, Brasil is nearly unlimited which means that for the foreseeable future there will be cheap labour available (ratio 1:10), which means that the income of the majority of the people in those countries will only improve marginally if at all.

The benefits will only go to a minority at the top but the majority will suffer. This is true for the industrialized societies but also for the developed countries (like Korea, Taiwan and others) and in the future also for the developing countries (like China, India, Eastern European countries etc).

It is very unlikely that people enjoy working in this type of environment, especially when they realize that their interests are not considered and they are seen as a resource which can be replaced and/or removed just like a machine. This will become dramatic as the labor market becomes more and more global.

In the last few years there are however more and more voices who see a big threat to capitalism if this view is not changed to a view which considers the interests of all impacted parties.

It is interesting to note that the highest growth rates are today in economies (esp. China), which are not democratic and where no/or limited social and ecological regulations exist.

What needs to be done?

We need to re-position capitalism so that it feels a responsibility not just towards the shareholders but to all parties which have a vested interest in the company. This means to the customers, the work force, the shareholders and to the society.

We need a capitalism which is not just based on economic values but which is grounded on a social and ecological market economy.

Europe, Canada and developed Asian States (like Japan, Korea, Taiwan) are already trying to find a more balanced approach. Unfortunately the dominant player, the United States, and the new power Countries (China and India) are pushing hard to maintain the status quo, meaning a free economy without social, ecological and cultural boundaries as long as it fits the interest of capital. What is also interesting is to see an increasing trend in the US to protect certain markets.

We need a worldwide accepted frame work with rules and regulations which ensure that the world can develop peacefully, that the ecological challenges can be mastered, and that the well being of people in all countries can improve over time, benefiting from economic development.

I see here a major role for all globally operating companies. Why? Some of the big global corporations have more influence than the national states. Furthermore, it is very unlikely that states will agree on such rules and force them through. We have good rules, defined at the level of the United Nations (e.g. Global Compact and ILO) but they are only voluntary and cannot be enforced.

Globally operating companies could have a big influence:

1.) by supporting and helping to define a worldwide framework in which all nations and economies can operate in and

2.) as long as we don't have this framework (and I know that this probably will take many years to achieve) by filling this gap by applying self imposed rules in the area of social, ecological and ethical standards.

I am aware that we are far from this situation and that it may sound unrealistic.

However I am convinced that such a development would in the long run be beneficial to all, including the shareholders.

If we don't find solutions we will end up with a race to the bottom and at the end this would lead to dramatic developments:

high unemployment in the industrialized world

a destruction of major existing markets like Europe, US, Japan and other developed states

inequality in developing countries would increase

major social conflicts

ecological disasters

potential for military conflicts

increasing protectionism

This cannot be in the interest of anybody.

Reading these arguments you may have got the impression that I am against globalization. I am a strong supporter of globalization as it has brought a higher standard of living to many people and more stability in the world. But conditions are changing.

We need a world economy which is interested in the common good of the world.

We need a social and ecological market economy.

We need a more social and moral capitalism based on commonly accepted rules which apply:

- ethical / and moral standards (religions should play a major role here)
- human rights of the United Nations (Global Compact)
- minimum social standards (ILO)
- sufficient water supply
- fair distribution of energy
- protection of the environment
- fair trade conditions (e.g. agriculture, Intellectual Property)
- continuous improvement/minimizing disruptive processes

This will only be possible if business people and politicians develop a picture of the world where the interest of our people and the interests of the globe (in an ecological sense) are considered. This can be done only if the responsible people and the people in power have a minimum set of ethical standards.

Now let me make a few comments, where I look mainly at these problems with the eyes and from the perspective of a European.

Do I support the status quo? Not at all. We, the industrialized states need to open our markets and we need to have fair trade conditions amongst the nations. We need to fight corruption at all levels, not just in the developing world, as we have enough also in the industrialized nations.

The people in the industrialized nations need to understand that we are competing with the developing nations.

This requires workforces which are highly competitive. As the industrial nations cannot compete on cost we need to become much more flexible, more innovative, better and faster. We need to understand how to differentiate ourselves.

The current leadership styles and management practices don't reflect these attitudes and behaviors at all. Worldwide studies from Gallup show that the level of motivation and engagement within companies is extremely low and that this leads to dramatic damages to the companies and societies. Only in Germany €250 billion per year.

We need to establish a culture in our companies and societies which is built on the belief that the majority of our people represent a positive image of the human being.

We need:

to apply business principles which are based on high ethical standards

The Caux Round Table principles are widespread and could be an excellent platform for this.

With regard to a high performing, motivated and creative team we need:

a culture of trust and respect

to provide the freedom where people can be creative and innovative

to make them understand that they are really our most important assets and that we care for them and that we are interested in their development.

to create an environment where people WANT to contribute, to win, to be creative, to be flexible, open for change and, and

to create a WANT Culture.

If we can create this environment, we have a chance to succeed and survive in the global competitive markets.

What is required:

- corporations, which understand that they have a responsibility for a better world and who contribute to the definition of a global framework
- corporations, which support a social, ecological market economy
- Managers and entrepreneurs with a new cooperative Leadership Style which enables this constructive environment of a WANT Culture

- Governments, which push for a social, ecological market economy
- Governments, which push for a global framework, where a fair global competition is possible (ensure that Global Compact and ILO regulations are applied)
- Governments, which invest in education and R&D
- Governments, which limit bureaucracy at a minimum level

- People, who understand that we live in a global world with global competition and where each employee needs to be as much better and faster as others are cheaper.

Summary

We need a new understanding of how to move to a better world. In this new world, based on a social, ecological market economy, the GOOD Company plays a decisive role. Managers need to take responsibility not only for the shareholder interest but also for all stakeholders in the company and for the common good.

In this type of environment, where the interests of all stakeholders are in balance, people will certainly enjoy to work!

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