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Book Review

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BOOK REVIEW

Values and Stakeholders in the Era of Responsibility: Cut-Throat Competition?

by Paolo D'Anselmi

Palgrave Macmillan; 1st edition (forthcoming Sept., 2011)
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Competition exists everywhere in business as well as in our daily life. The positive value of competition by which millions of people live their daily occupations is recognized as a latent energy lies at the heart of many economies of the world. Competition is a powerful driver of responsibility, and many other workers of regulated industries, monopolies and public administration, or government are less accountable to positive social or economic forces. However, Paolo D'Anselmi indicated that tapping the energy of competition is a difficult task. In fact, competition is quite often preceded by a "cut-throat", hence cut-throat competition. Thus economic units subject to competition fail to bring that value to bear in the social and political arena and thus fail to turn their weakness – being subject to competition - into an opportunity.

The author holds that this predicament delivers a deficit of meritocracy in society, effectiveness in governments' action, lack of efficiency in protected and regulated industries. The end result is an overall weakness in the economies affected by such deficit, a competitive disadvantage. The goal of this book is to show – with cases in capsule form - the differences of accountability in the diverse sectors of the economy, quantify the potential, and identify the hindrances that prevent the coming of competition as a factor of social and political advance within each country.

Competition is lived within the narrow limits of vertical industries and international trade debate. But the author argued that competition should be brought to bear horizontally, among different economic sectors, within the boundaries of each country and nation, in order to make governments accountable for their actions and regulated industries efficient in their functioning. The logic of collective action delivers SME as a key stakeholder to embrace the value of competition and have it observed by those sectors of the economy and the institutions which today do not observe it. Through the force of competition, the representative bodies of SME have an opportunity to become a full field stakeholder in the political arena to make governments effective and regulated industries efficient.

Starting from corporate social responsibility - CSR, the author extended CSR to all organizations in the economy (private businesses and public institutions) and developed the concept of "accounting for work" as a duty for everybody in society. Such a duty brings to the political and economic foreground the struggle between work subject to competition and work performed under monopoly privilege. Once the political arena is redefined along these lines, SME become protagonist in the debate for the advancement of society and have a potential benefit here to reap. Then what they have to do is only become aware of the value of competition / accountability that they already embody. With no extra work they can get advancement in society.

In this book, Paolo D'Anselmi embarked in analyzing the CSR reports of corporations and came up

with a solution that would hopefully be seen as more relevant to business: a process framework that is also compatible with issue frameworks such as the GRI guidelines. The author's proposed process framework is formed by four values: Unknown Stakeholder, Disclosure, Implementation and Micro-Ethics. This framework is about the "how" one could look at the core business of firms in order to identify CSR instances, manage them and report about them. The key element of Paolo D'Anselmi's proposed process framework is that CSR ought to look at the instances where "irresponsibility" can be identified within corporate behavior. It makes CSR germane to risk management.

The author distinguished two type of competition in the book. "Vertical competition" which accustomed to accept is a driver of accountability. It is the struggle among companies engaged within each industry and within the same economic sector. Vertical competition is central to the process of accounting for work It does guarantee society that – having the opportunity to adopt competing goods and services – it can do without the bad company. "Horizontal competition" is the struggle between different industries and sectors of society to appropriate shares of national income. Once the duty of accountability is extended to all economic sectors, horizontal competition between economic sectors becomes the crucial driver of accountability, a reverse process can take place: sectors subject to competition (i.e. private companies) could ask accountability from those sectors which are not subject to vertical competition (i.e. public sector) with the objective of reaping a benefit from a better work and more socially profitable work by the public sector.

The workforce in the economy can therefore be partitioned horizontally between that part of it which is subject to vertical competition and that part of it which is not subject to vertical competition. The notion of "competitive divide" is thus derived: the work of workers, employees and executives who are not subject to vertical competition enjoys a shelter vis-à-vis the work of those who are subject to competition, therefore those who are not subject to competition must give account of their work through the introduction of vertical competition or through pseudo-market mechanisms, such as CSR reporting and benchmarking.

From an empirical point of view, SME and the majority of workers and jobs in the economy are on the competitive side of the "competitive divide", while monopolistic sectors, such as the government sector, are on the non competitive side of the competitive divide. Paolo D'Anselmi believed that CSR appeared to be a game for large corporations who could afford CSR executives and CSR budgets; people struggled to figure out ways to "do" CSR in SME. Under the auspices of competition, SME become a key actor of social responsibility in society. They are first in CSR as they are immersed in vertical competition.

What is then the force that will move society towards accountability? The author suggested that the horizontal competition is the answer. This force will be the self-interest and the collective action of those who are subject to vertical competition vis-à-vis those who are not subject to competition. Horizontal competition is the competition between those who are in their work subject to vertical competition and those who are not subject to such vertical competition. Horizontal competition is a force more relevant to the economy than the owner-employee, public-private, left-right, labor-capital dialectic. Vertical competition exists because many want to sell to few, horizontal competition exists because social groups - differing by their position vis-à-vis competition - still compete with each other to appropriate shares of national income.

One question is always asked about CSR: "Why bother?" Paolo D'Anselmi's argument answers this question through horizontal competition: all institutions must account for their work because it is in the self-interest of those who are subject to competition that those who are not subject to competition account for their work as well.

The representatives of the associations of small and medium (and micro) enterprise, micro-enterprise being the self-employed and those small businesses with less than 10 employees will be specifically the social actor of horizontal competition The specific incentive for the small business association is tapping the reservoir of social and economic value (being subject to competition) - already embodied in their own fabric – in order to obtain political clout and to negotiate with public sector representatives and governments starting from a vantage point.

The author have therefore undertaken a project to take to the local representative bodies of nationwide SME associations, the following message: "you are the embodiment of a positive social and political value: competition; you should make that weigh in your local and national interaction with government and large businesses". SME however are not ready to receive the message. One preliminary finding is that local SME associations are immersed in vertical competition but not ready to act upon the value of horizontal competition. Nor are they very much interested in checking the reality of their own social responsibility (there being always room for improvement). They have practical needs to serve their members, the small entrepreneurs, more than listening to general statements of political intent. They are however interested in CSR and they are interested in developing a consulting formula that allows them to deliver a product or service to their members. Therefore a CSR concept for SME is being developed in partnership with some local associations.

Finally, Paolo D'Anselmi made an effort to bring the message of competition as a positive value to a supra-national and trans-national level. The author's work that competitive divide is applicable to all economies, if not to the entirety of each specific economy, our notions are in fact confined to that developed part of society which is well above the poverty line. Also the notion of SME is a global one, when taking into account the diverse structure and dimensions of SME in each economy. Therefore a move of SME towards removing the competitive divide appears to be one that all societies and all economies can entertain and profit from.

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