

Personal reflections on responsible competitiveness

By Wayne Visser

A few years ago, I was invited to make a presentation on CSR in Brussels to the EU High Level Group (HLG), comprising 27 Member State representatives. The topic of my presentation was 'CSR and the global financial crisis', and it gave me a fantastic opportunity to talk with some of the people helping to shape the EU agenda. There were a number of trends that I found interesting.

The first was that, whereas formerly CSR was discussed purely as a voluntary activity by business (this was especially clear in the EU's policy statement on CSR in 2006), there was now increasing discussion and even demand for what Susan Bird, CSR co-ordinator in the Directorate-General for Employment of the European Commission and part of the EU HLG on CSR, called 'a more active role', which may involve 'conditions' being introduced in the future, although this was all still up for debate.

A second insight was how the competitiveness agenda has changed. The first ten-year economic strategy of the European Union—the Lisbon Agenda, which ended in 2010—was all about competitiveness and paid very little attention to CSR issues. However, the 2008 European Competitiveness Report dedicated an entire chapter to CSR and countries such as Denmark were claiming that responsible, green growth was central to its international reputation and hence its competitiveness. This changing emphasis is also reflected in the new Lisbon Strategy for 2020, which has as its central goal 'smart, sustainable and inclusive growth'.

Responsible competitiveness

One of the people who has done the most work on responsible competitiveness is Simon Zadek. In 2010, I had the pleasure of visiting him in the lakeside city of Geneva, when he was still CEO of AccountAbility. The purpose of my visit was to interview Zadek about his book, *The Civil Corporation*. This formed part of a research project I was conducting for the University of Cambridge, which resulted in the publication of *The Top 50 Sustainability Books*.

Reflecting back on the book, which was published in 2001, and on what has changed since, Zadek pointed to the geopolitical shift towards Asia and Russia, the increasing influence of investment markets, the re-emergence of a strong state role and greater emphasis on partnerships and collaboration. I asked him what had prompted his more recent focus on responsible competitiveness. Zadek explained that it emerged largely as a response to the views of David Henderson, expressed in his book, *Misguided Virtue: False Notions of Corporate Social Responsibility*.

Henderson argued that corporate responsibility increased poverty, because it reduced market flexibility and added costs, whereas markets were the route to prosperity. 'It was a rather caricatured view of everything', claimed Zadek. 'But the underlying point made came through to me, which was: what are the macroeconomic effects? We've all been concentrating on the micro side.' Zadek began to realise that: 'micro-level innovation would be halted if the national policy implications of advancing corporate responsibility at the micro-level would undermine national or regional competitiveness. So to understand the political economy of corporate responsibility or sustainability or citizenship required an understanding where national competitive strategies and the political dimensions of that 'hit the road' on this agenda.'

To illustrate what he meant, Zadek noted that: 'the debate about a post-Kyoto deal is a debate about competitiveness. What's going to prevent it moving on is a zero sum view without a pay-off

matrix; that is, about a loss of competitiveness at both the top of the economic pyramid and mid and low levels in the pyramid.'

I pushed him to elaborate. 'Climate change is the perfect storm', he said. 'It is credible systemic risk accompanied by demonstrable failure of our two primary large-scale instruments of change, namely public policy and capital market allocation. Because public policy is not reshaping markets to be forward looking at anything like the pace that's needed, and capital markets are not recognising the value-added opportunities, or factoring them into their asset valuation methodologies. And so at that point the importance of collaboration, new models of partnerships, new ways of constructing market rules, becomes the game.'

Lessons from Singapore

I think Singapore can give further insights on responsible competitiveness, especially around the issues of water and human resources. It was only after a political crisis with Malaysia that Singapore instituted the range of measures, including leading-edge filtration and desalination technologies, that now make it not only virtually water self-sufficient, but also a leading exporter of water technologies. I did hear talk of Singapore becoming a green IT or clean-tech hub for Asia, but I think the government's softly-softly approach will leave it far in the wake of countries such as Korea, Japan and China.

Even so, there is a lesson to be learned from Singapore. As a geographically small city-state, with a relatively high population density, the government quickly faced up to the fact that there is no 'away'. It had to deal with its own externalities, rather than export them. Innovation was born of necessity. Poverty and pollution could not be tucked away in remote rural regions or ignored as the inevitable lot of a fringe slum society. Either the whole city prospered, or it didn't. There was nowhere to hide poor governance.

As the Asian tigers jockeyed for position in the region and the world in the 1980s and 1990s, Singapore made strategic investments in two areas—its people (creating a highly skilled labour force) and its infrastructure (making it one of the most friendly trade and investment hubs in the world). Singapore knew that if it didn't get these two things right, it would have no competitive advantage. Most crucially, it would lose its upwardly mobile workforce to Japan, Korea or the West, and global economic activity would divert to other parts of Asia.

Conclusion

We can all learn from this 'spaceship earth' (city-state) thinking of Singapore. But, for me, the jury is still out on responsible competitiveness. Unless the government and companies in India and around the world can shake off the 'competitiveness at all costs' mentality, it will always be a responsible business laggard, moving with the late majority; certainly not the worst, but far from the best. Somehow, India needs to answer for itself the 'why' question. Why is responsible business relevant, or important in India? I am betting this will inevitably lead straight to another question: how can sustainable business make India more competitive?

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