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The Road to Co-operation: Escaping the Bottom Line. By Gordon Pearson

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Book Review

The Road to Co-operation: Escaping the Bottom Line

By Gordon Pearson
Routledge, 2016. ISBN 978-1-4094-4830-3 (pbk), 255pp.

While originally published in 2012 (Gower Publishing), this re-issued book remains relevant in questioning existing orthodoxies linked to neo-liberalism, profit maximisation and financial speculation, while proposing practical changes linked to ideas associated with a more holistic and longer-term approach to organisational management and governance. Further, Pearson draws on ideas of co-operation and non-exploitative behaviour in proposing management and governance approaches that discard a one-dimensional fixation with the bottom line and instead look to and further develop multiple varying models of co-operative management.

The first four chapters look at neoclassical ideology and its dominance in mainstream management thinking as a taken for granted ideal type for organisational busines models. The four chapters consider, in turn, ideas about the economy, 'the market', 'the firm', and people. Pearson highlights various limitations, fallacies and gaps in neoclassical ideology, as well as its coercive and corrosive effect on management theory and practice. The real economy, as Pearson puts it, has been coerced to primarily serve the financial sector and shareholders to the exclusion of other interests and needs, and at odds with long term global sustainability.

Chapter five then goes on to consider various dimensions of unsustainability, providing an overview of population growth, resource use, pollution, and climate change, before moving on to discuss economic growth, externalised costs, and inequality. The conclusion is that the neoclassical ideology itself is unsustainable.

Chapters six to nine focus on corporate governance and accountability and a comparison is made between post-industrial, industrial, and industrialising economies with differing levels of commitment to the neoclassical economic doctrine. Corporate governance practices in Britain, USA, Japan, Germany, China, and India are described and discussed. Pearson suggests that countries such as Britain and the USA, where shareholder primacy dominates, provide a more difficult environment for businesses that wish to recognise a broader range of stakeholder interests other than where such interests can be aligned with maximising shareholder wealth. The importance of this is perhaps understated in much of the discourse on socially driven business, where often there is a presumption that social and financial goals are capable of being aligned in a way that is mutually beneficial to multiple stakeholders' interests. Pearson suggests that a company's interests are far broader than shareholder interests and include the products and services themselves that a company is setup to provide, the markets they serve, the jobs and communities they sustain and so on, all of which constitute part of what Pearson sees as the real economy as opposed to the speculative financial economy.

Chapters ten to twelve argue for a more sustainable approach to policy and practice involving the adoption of co-operative models of corporate governance and positive engagement with a wide range of stakeholders. Rather than presenting one co-operative model, varying degrees of co-operative governance and management are described, where businesses are made accountable to a range of stakeholders. Pearson provides a number of co-operative examples and points up their successful blending of doing what works as a business with also being fair to their members. Particular attention is given to employee ownership and the importance in such organisations of ensuring employees have a right to information on the organisation's strategy and performance and the ability to intervene in management and participate in governance as well as having equity ownership. As such, all three — equity ownership, management influence, and business information — are seen as essential elements.

The final chapter suggests changes needed in order to shift management and governance models away from a neoclassical approach and the primacy of shareholders and the bottom line. Changes to markets, the public sector, financial markets, company law and taxation are briefly described and discussed, while the importance of a more people centred co-operative approach to organisational management is again asserted.

This book is a good antidote to neoclassical economics and its application to management theory while also making the case for a co-operative oriented approach to governance and management which allows for a variety of ownership and participative models. Some will already be familiar with the description and influence of neoclassical economics and its close relation neoliberalism. Pearson's focus on the theory and practice of management, however, arguably adds to our understanding of its effects and provides a practical alternative focused on the notion of a more beneficial 'real economy' drawing on co-operative experience. Furthermore, Pearson provides a useful start point for establishing the sorts of policy changes required across different sectors in order to support and encourage existing and new models of co-operation.

There could have been more discussion of co-operative management models and their potential, although this probably would require another book. Any takers?!

The Reviewer

John Maddocks is a trustee of the UK Society for Co-operative Studies and is involved in research on co-operative accounting and reporting.