IAE Business School

Levelling the playing field in
the electric power transmission industry in Argentina

Introduction

The Center for Governance and Transparency at IAE Business School in Argentina undertook the facilitator role in fostering the implementation of a collective action agreement amongst companies in the local electric power transmission industry in order to address integrity, regulatory and competition problems. With the ongoing development and growth of the initiative, the established partnership amongst the main players in the sector seeks to have a lasting impact in the way business is done in this sector.

Challenges

Over the years, the electric power transmission industry in Argentina became a complex sector where companies often faced regulatory, fair competition, and integrity challenges. Usually, these problems were dealt with individually or through their respective industry associations but frequently these concerns were not adequately channelled or managed, creating an understandable sense of frustration. Simultaneously, a lack of trust and understanding of business practices and fairness amongst some players - in particular, multinational enterprises (MNEs) and small local companies - had to be overcome.

Actions taken

In late 2011, one of the main industry players approached the Center for Governance and Transparency in order to explore the possibility of starting some sort of partnership with other competitors whom they regarded as sharing, to some extent, the same concerns about integrity problems. The Center accepted the challenge, extending an invitation to attend a first exploratory meeting with the CEOs of the five main companies present in the sector, which accounted for a sizeable chunk of the market, big and small MNEs, and a local company. There was consensus amongst companies present that some sort of joint action was needed if things were to change. The Center made the proposition of negotiating and signing a collective action agreement in the form of a Principles-Based Initiative. The companies accepted the challenge and began examining the main issues and problems faced by their sector. In a second step, priorities were established and behavioural standards discussed and agreed upon, which were then included in the collective action. Based on those discussions, they signed an agreement in June 2012 in regard to 10 standards:

1. Conducting their business operations in a fair, honest, transparent manner, strictly abiding by all current Argentine laws, as well as the principles laid out by the UN Convention Against Corruption and the Inter-American Convention Against Corruption.
2. Refraining from paying any kind of bribe (direct or indirect bribery).
3. Refusing to accept bribes or to let others accept bribes on their behalf.
4. Avoiding bid tampering or engaging in any form of bid or technical, commercial, and/or financial specification tampering.
5. Refraining from making local contributions to political campaigns.
6. Maintaining clear, transparent sponsoring, giving and charitable contribution policies, recording all donations accurately in their financial statements.
7. Maintaining or establishing effective internal processes to prevent direct or indirect bribery.
8. Ensuring that their employees, business partners, and third parties embrace these principles, providing adequate training to that end.
9. Trying to avoid doing business with others who do not abide by these principles or who may jeopardise these companies’ reputations.
10. Actively promoting transparency in their industry by engaging in coordinated communication and training efforts to disseminate this collective action agreement, so that others become aware of its provisions and align their behaviour with them.

Along with the ten standards, an Ethics Committee was set up to serve as a forum for disputes arising from the execution of this Principle-Based Initiative and as a platform for exchanging and sharing good practices. The Ethics Committee is empowered to sanction any member that infringes the collective action principles.

The Center for Governance and Transparency, in its role as facilitator, agreed to meet with the signing members at least twice a year to review the Initiative’s progress and to discuss any developments arising from its execution or future changes.

**Results/Benefits**

The Center produced a press release to inform the media and the general public about the scope and objectives of the collective action, whereas companies communicated internally to their employees the signature of the agreement through their intranets and made it public through their respective websites and online portals. On top of that, they sent messages to suppliers, clients, etc. Both company employees, as well as value chain actors, received the news positively.

In the meantime, one new participant has joined the initiative. Other potential members are presently being considered to be part of the agreement. Based on the success of the agreement and its positive repercussions, a further extension is being examined.

Whereas the positive reception of the initiative and its growth in the form of new members attest to its practical impact, the initiative has another important and lasting effect: it creates and progressively increases trust among participating companies, creating a community of like-minded “partners.” If, during the first steps, there were concerns, and to some extent, mistrust about the different sizes and business styles of the participating members (e.g., multinationals vs. national companies, large vs. medium/small enterprises, etc.), ongoing discussions allow for a more in-depth knowledge of the values and principles of the competitors, understanding the extent to which they share the same integrity problems.
The role of PRME/sustainability principles

- Corruption and integrity problems can effectively be tackled through partnership between committed business actors.
- Collective action partnerships have a dynamic, open-ended nature, allowing for an ongoing and ever-growing involvement of additional stakeholders and interested parties.
- Educational institutions can play a key role in facilitating collective actions: they are regarded as neutral by business actors and can effectively coordinate the necessary steps that lead to the signature of such an agreement.