GREAT TRANSITION INITIATIVE
TOWARD A TRANSFORMATIVE VISION AND PRAXIS

December 2019

Corporate Change, Not Climate Change

COntribution to GTI Forum Corporations in the Crosshairs

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Allen White's essay on the need for corporate redesign expertly describes in brief the history of the corporate social responsibility (CSR) movement. He correctly notes that this movement has been fed by a myriad of individual campaigns targeting companies for specific social and environmental issues. Having started the Business Ethics Network in 2003 for advocacy groups who wage those campaigns and helped spawn the CSR movement, I could not agree more that it is time for an evolution of this movement. That evolution should indeed focus on corporate redesign. Unfortunately, one of the lessons we have learned over the last thirty years is that the public needs to feel outrage to engage in these campaigns, and companies need to fear damage to their brands. It will be difficult in the short-term to turn poor corporate design into a source of consumer outrage and company brand damage. Another major obstacle is getting non-governmental activist organizations to operate in concert to accomplish this since they have a history of individual or small coalition campaigns.

It may well be that the first step towards creating a unified corporate redesign movement is to select an issue that is so compelling that it is a magnet for NGO and political collaboration. National and international coordination around this issue could provide the foundation for a meta-issue campaign like corporate design. As I survey environmental and social activism across the industrial North as well as the concentration of charitable foundations' investments, it is obvious that climate change is the potentially unifying campaign on which a larger corporate design movement could potentially be built. The threat of a climate catastrophe is and will continue to grow as a prime mobilizer for public engagement. Embedded in the climate issue is a host of sub-issues related to corporate design that enlist allies. They include the inequitable impact of climate change on frontline communities, the support of anti-climate politicians by companies, the impact on labor from an unjust transition to clean energy, responsibility for negative supply chain impacts, and increased death and disease from fossil fuel pollution.

In the US, a unified corporate campaign built initially around climate would also tap into the deep reservoir of anger towards President Trump, who has proudly aligned himself with high-emission fossil fuel and auto companies while abandoning the nation's role as a leader and signatory of the Paris Accords. Successful movements tap into the fear and anger of those most impacted, which explains in part why millennials, the next large consumer block, rate this issue so highly.

Let us first take a step back and look more closely at how the environmental and social justice movements have evolved from a broad array of corporate campaigns, and the lessons learned. Then let us explore what a unified climate corporate campaign might look like.

Background on Civil Society Marketplace "Regulation"

Starting with the Reagan administration in the US and its intransigence on environmental and social issues, many NGOs shifted their strategic focus to the marketplace to effect civil society regulation of corporate behavior. Dozens of corporate campaigns ensued. Gallo (worker conditions/pay), Nike (sweatshops), Mitsubishi (rainforests), The Home Depot (old-growth forests), Staples (Appalachian forests), Victoria's Secret (boreal forests), Kimberly Clarke (boreal forests), McDonald's (animal rights), Dell (Toxic waste), Apple (toxic waste), Citibank (coal plant funding), Bank of America (coal plant funding), Walmart (everything), Cargill (palm oil), Kellogg's (palm oil), and a host of other major corporations were the subjects of successful consumer, shareholder, and markets campaigns.[1]

These campaigns played a major role in jumpstarting the CSR movement. Big-tent NGOs like Business for Social Responsibility (BSR), Ceres, and GreenBiz emerged to facilitate corporate social and environmental education and policies. Companies began to evolve from having third-level manager positions for corporate responsibility to creating vice president for sustainability positions with staff and budgets. Certification systems began to emerge such as the Forest Stewardship Council, Marine Stewardship Council, Fair Trade Coffee, and Conflict-free Minerals. And corporate campaigners formed their own trade association called the Business Ethics Network, where they educated new corporate campaigners, shared lessons learned, corporate research, and came together to create coalitions and launch new campaigns (e.g., Walmart).

A number of factors made these campaigns successful. Companies realize that much of their capitalized value is a function of the strength of their brand. They cannot risk being associated with outrageous social and environmental practices. Even companies with unfamiliar brands who supply branded retailers can become a liability when their corporate customers are publicly attacked and held responsible for their suppliers' practices. Another key factor is the potential for multiple NGOs to triangulate on a company such that some focus on their customers, some focus on their employees and the universities from which they recruit, some focus on their shareholders, and still others focus on excluding them from government procurement. The most effective campaigns afford multiple tracks on highly branded companies.

Government regulation is generally to be preferred over civil society "regulation." However, the latter does have advantages, beyond its independence from politics. Corporate and markets campaigns tap into the public's underlying distrust of major corporations, thus attracting large numbers of passionate activists. They tend to produce faster victories than legislation (especially if multiple campaign tactics are employed), which reinforces activists' sense of efficacy. Victories generate ripple effects within and across industries. Victories also change corporate cultures such that forced awareness on one issue (e.g., forests) facilitates voluntary awareness on others (e.g., toxics, energy consumption) where there may be future brand risk or cost savings. Corporate campaigns create an entire support industry that involves certification, consulting, and auditing services. These perpetuate and validate corporate policy changes.

A Unifying Corporate "Climate-Friendly" Label and Campaign

Many corporations are already making progress to reduce their emissions, but not fast enough. Examine the Carbon Disclosure Project list of companies that are reporting. Many are tracking Scope 1 emissions (direct emissions), fewer tracking Scope 2 (indirect emissions from the electricity they purchase/consume), and virtually none of significance tracking and reporting Scope 3 (their suppliers' emissions), where a huge percentage of many companies' carbon is located. This is the big carbon loophole that threatens achievement of the Paris Accords. Furthermore, while the Science Based

Target Initiative is relatively new, more than 300 companies have actually obtained approved science-based targets.[2] There are indications that a cadre of corporations realize the threat of climate change and have begun to move more aggressively to reduce emissions and influence policy. The We Mean Business consortium sent a letter to President-elect Trump to honor the Paris Accords. But even most of these companies need to accelerate their tracking, reporting, and reductions in Scope 3 emissions.

If we are going to stabilize climate change at or below 2 degrees, we must move quickly to a low-carbon economy. To accomplish this, we must redirect capital away from high-carbon companies towards low-carbon ones. To accomplish that, consumers, investors, companies, and government need a label that differentiates between entities that are committed to a low-carbon operating future and those that are not. This allows civil society to organize and pressure companies, investors, and government to favor entities committed to low-carbon future. Those low-carbon companies can be expected to ally with civil society to influence government policies that tilt the economic playing field in their favor. When there is a critical mass of them, they also have the incentive and strength to stand together and change the political dynamics at the federal and state levels. Politicians, especially conservative ones, respond more favorably when NGOs and corporations jointly demand support for policies (e.g., a price on carbon, EV purchasing incentives).

How the Climate-Friendly Corporate Campaign Could Work

We need a simple, elegant way to differentiate between climate-friendly and climate-unfriendly companies. At the moment, we have a myriad of disconnected initiatives—all good, but not necessarily synergistic such that they add up to the kind of pressure they could and the momentum they should be creating. We Mean Business, as mentioned before, has a large number of companies that have endorsed the Paris Accords and made specific commitments such as reporting their Scope 1, 2, and in some instances Scope 3 emissions, doubling their energy efficiency, and shifting their fleets to electric vehicles. These are all good, but the bottom-line question is this: Are their trajectories for reducing their Scope 1, 2, and 3 emissions in alignment with science-based targets? If so, are they being rewarded in the marketplace and if not, are they paying a price? Companies' behavior, even more than that of human beings, is subject to reward and punishment. Civil society must create a climate reinforcement regimen.

As a member of the progressive funder community, I acknowledge that we typically support a thousand points of light, but we rarely connect them. As a result, these initiatives do not necessarily add up to more than the sum of their parts. Looking through a corporate campaigner's lens, it is essential that companies be sorted into two categories: Good and Bad. This requires a label for each; one that companies want to display and leverage to their competitive advantage, and one that they must avoid or else risk becoming less competitive. This opens the doors for hundreds of NGOs across the nation to engage in a unified campaign, all feeding into the same ultimate goal, i.e., shifting capital towards a low carbon-economy. And they have plenty of leverage points for such a campaign—ranging from government and corporate procurement to infrastructure permits to institutional investors to mobilizing employees, consumers, or shareholders.

Conclusion

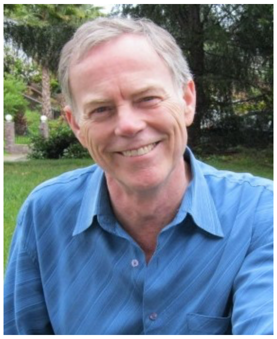
It is important that civil society demand that corporations be redesigned so that they truly serve the public interest, their employees, and the environment. Getting to that point may require an interim strategy that focuses the fear of the existential threat of climate change, the economic and social devastation that it portends, and the anger that politicians like President Trump engender, on corporations who all share to a greater or lesser degree responsibility for this threat and its solution. This will require civil society organizations to come together in a way they have rarely done before to define the change we want and then produce pressure and provide the facilitation the change requires.

Endnotes

1. A corporate campaign is one in which the company doing the egregious activity is targeted. A markets campaign is one where the branded corporate and institutional customers of the companies that are doing the egregious activity are targeted in order to change the latter's practices.

2. This is a system by which a company can determine how much it must reduce its carbon emissions to meet the two-degree scenario, develop a plan, set targets, and have them certified by a process created by the Carbon Disclosure Project, the World Wildlife Fund, the World Resources Institute, and the UN Global Compact.

About the Author



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About the Publication

Published by the Great Transition Initiative.

Cite as Michael Marx, "Corporate Change, Not Climate Change," contribution to GTI Forum "Corporations in the Crosshairs," *Great Transition Initiative* (December 2019), https://greattransition.org/gti-forum/csr-marx.

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