

# The Corporatization of Sustainability

Written by Peter Dauvergne and Jane Lister

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PETER DAUVERGNE AND JANE LISTER, JAN 17 2013

“Corporate sustainability” has gone mainstream. After more than two decades of marginal greening efforts (and greenwash), multinational corporations are now competing to define and drive sustainability through core operations, supply chains and global brands. Led by global retailers, this is bringing some benefits: reducing some kinds of waste (e.g., more recycling and recycled content in packaging) and making some activities more efficient (e.g., less energy per unit of production). The global environmental governance prospects, in particular, can appear enticing and many governments and civil society organizations are now eagerly partnering with powerful companies to harness their transnational private regulatory capacity to execute new global rules of sustainable production and consumption.

Yet the accelerating market competition to go “green” is not, as brand executives and even some NGOs are telling us, fundamentally about ensuring the sustainability of the global environment. Rather, it is a competition to turn the concept of sustainability into a business tool to enhance market control, profits, and above all, business growth.

The gains from corporate sustainability rely on increasing the worldwide consumption of consumer goods. And these gains in turn are increasing the control and influence of a concentrating number of superpower retail corporations such as Walmart—the world’s biggest corporation (fiscal years 2010 and 2011) with over 2 million employees and revenues fast-approaching US\$500 billion as it expands globally into emerging economy markets.

Sustainability for companies like Walmart, Tesco and Target is about maintaining high-quality and low-cost inputs to *increase* the supply of and demand for branded goods. The strategy is to leverage environmental management tools like life-cycle assessment and eco-certification to reduce supply chain risks and protect brand reputations with the goal to keep selling more. Companies see opportunity to legitimize the on-going production of rapidly obsolete, disposable items like diapers, household cleaners, and bottled water through a discourse that emphasizes product improvements, such as smaller packages and more recycled content to reduce per unit energy and material usage.

Sustainability here is meant to encourage demand, not reduce *total* consumption; it will therefore mean *more* rather than less pressure on the planet’s climate, forests and oceans.

The end result is a far cry from the 1987 Brundtland Commission’s original conception of “sustainable development” and what most states and international organizations imagine as “global sustainability.” In contrast to protecting the wellbeing of present and future generations, corporate sustainability as defined and promoted by an increasingly powerful mass-merchandizing retail sector ultimately entails rising rates of resource extraction and carbon emissions; a bankrupting of small businesses and disintegration of local communities; an intensifying world discount economy; and an increasingly unstable and unequal world economy and political order.

Unheeded, this accelerating trend toward the corporatization of sustainability is world-changing, with deep consequences for the international relations of environmental governance.

### Promises and More Promises

Ten years ago the sustainability image of most multinational brands was even worse than today. Companies such as Walmart were seen as engines of cheap and nondurable products, exploiting workers and externalizing ecological

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costs to accelerate excessive and wasteful consumption.<sup>[1]</sup> Walmart had an especially bad reputation. Others were hardly better.

Thus, when Walmart made sustainability commitments in 2005 that went far beyond typical corporate greening efforts of the time, many environmental activists saw these as yet more hollow promises and public relations ploys. The commitments certainly sounded like greenwash. Walmart proclaimed it would aim to one day only use renewable energy, generate zero waste, and only sell sustainable products.

Yet, surprisingly, the ambitious claims were not simple greenwash. As groups like the Environmental Defense Fund and even Greenpeace acknowledged, Walmart was embarking on something new. It was a business approach aimed to embed sustainability policies and programs as a key strategic business tool for driving efficiency and innovation within mainstream operations and supply chains.

Since then many other companies have followed suit. In 2007 Marks & Spencer announced it would become carbon neutral and Coca Cola committed to becoming water neutral. In 2009 Procter & Gamble committed to one day using 100% renewable or recyclable material in its products. In 2010 Unilever followed saying it would aim to one day source 100% of its agricultural input sustainably. In 2011 McDonald's announced it would aim to only purchase from sources certified as "sustainable."

Companies across all consumer goods sectors have followed. In electronics, Apple, Dell, Hewlett-Packard, and IBM have proclaimed plans to reduce greenhouse gas emissions and energy use, eliminate certain toxics, switch to renewable energy, and take back products to recycle. This has generated lots of positive corporate publicity. *Newsweek*, for example, ranked Dell as America's greenest company in 2010 and IBM as America's greenest company in 2011 and 2012.

## Unpacking Corporate Sustainability Promises

What's going on here? Why are big-brand companies suddenly making such far-reaching promises?

Growing public awareness, consumer demand, and environmental activism are all continuing to prod corporate attention toward sustainability. So are corporate-NGO partnerships and government policies (and company fears of further regulation). However, it is these factors together with conditions of global economic instability (including high energy and rising material costs) that are accelerating corporate sustainability interest and efforts. Companies see opportunity now to leverage sustainability for business value: a powerful strategic tool to manage risk across global production networks and as a means to access markets and grow business returns.

Greening efforts, especially within supply chains, are allowing big-brand companies to "do more with less." This is helping them to reduce their waste, material usage, and energy consumption costs. And it is helping them to enhance quality, extend markets, strengthen brand loyalty, and control supply chains. The call for more corporate sustainability is now not so much a threat that firms are struggling to deflect and dodge, but rather an opportunity they are striving to capture.<sup>[2]</sup> Such gains have been particularly notable for multinational companies reliant on low cost outsourcing through complex global supply chains, such as Walmart which has more than 200,000 suppliers worldwide.

## The Politics of Supply Chains

The world retail economy looks very different today than it did twenty-five years ago. For one, the boundaries between brand retailers and manufacturers have blurred as brand manufacturers like Apple and Nike open stores. But more importantly, mass merchandisers have come to dominate the retail sector. These are companies like Walmart, Best Buy, Staples, PetSmart and Home Depot with global product sales in the billions of dollars (and yet do not manufacture anything). Instead, they are global mega-buyers that provide shelf space (or an online shopping channel) for thousands of consumer brand products at bargain prices. Today's merchant retailers source in enormous volumes from suppliers in overseas locations with cheap labor and low production costs, particularly China

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and increasingly from even cheaper neighboring countries like Vietnam, Cambodia and Malaysia. It is not uncommon for a retailer to command as much as 30% of a supplier's total business and the retailers are using this buyer power to squeeze suppliers so as to be able to offer consumers even lower "everyday low prices." Traditional smaller retailers with fewer products and higher prices simply cannot compete with the economies of scale of retail chain stores.

Under the discount business strategy, the power of retail "buyers"—from Nike to Toys 'R' Us to Tesco—continues to grow within global supply chains. Whereas retailers traditionally acted (and are still largely treated in economic theory) as merely intermediaries connecting producer supply with consumer demand, now they are playing a powerful role in shaping global production and consumption.<sup>[3]</sup> They are using their buyer-power to act as global market regulators—setting terms and conditions for their suppliers on where, how and when products are produced (including the sustainability conditions). "It is not an accident," Frederick Mayer and Gary Gereffi explain, "that many of the most prominent cases of private regulatory governance involve very large lead firms with more-or-less captive suppliers."<sup>[4]</sup>

## Transnational Retail Sustainability Governance

As explained, brand companies are in part driving private sustainability rules through their supply chains to achieve efficiencies, and thus reduce costs and keep prices down (and allow for price "rollbacks" for consumers even in times of rising commodity or energy costs). For this, they are engaging their structural and instrumental power to influence market transactions.<sup>[5]</sup> By also framing and defining sustainability in their own terms, however, they are demonstrating their discursive power to further control their suppliers, providing an increasingly legitimate and powerful vocabulary (e.g., "sustainable sources" and "carbon accounting") to prod—and punish—producers with 'advice', codes, and directives.

Although they don't manufacture the products, big-brand retail reputations are vulnerable to quality problems with the goods they sell. Sustainability policies are a means to reduce their exposure to the risks from questionable supplier practices: from illegal purchases to chemical spills to toxic additives like lead paint on toys or carcinogens in food. The costs of these risks are realized not just through NGO naming and shaming campaigns and consumer boycotts. Governments are also increasingly cracking down, including imposing penalties for importing illegal components: the 2008 amendment to the US Lacey Act, for example, leaves American retailers vulnerable to prosecution if found to be importing "illegal" timber. Gibson guitars was prosecuted under the Act in 2012 for the import of illegal wood from Madagascar and India.

Companies are adopting strategies such as eco-certification and eco-labeling and auditing to help ensure that suppliers implement their supply chain sustainability policies. These programs also provide them business value in terms of enhanced efficiency and transparency of commodity chains, more stabilized resource inputs, increased consumer trust, and ultimately increased sales.<sup>[6]</sup> For these reasons multinational brands are backing and increasing the number of global certification and labeling programs: for example, Unilever spearheaded the Marine Stewardship Council and, along with retailers such as Sainsbury's, was also a promoter (and chairs) of the Sustainable Palm Oil roundtable.

Overall, the range of transnational retail sustainability governance initiatives include: corporate greening programs to help big-brand companies assess supplier responsibility, monitor product quality, and capture eco-markets; transnational eco-certification programs to allow them to set sourcing, quality, and input criteria for producers; and eco-labeling to enable them to reassure customers, promote green products, and access emerging markets.

## The Future of Global Environmental Governance

Fundamentally, then, the retail-led trend toward corporate sustainability is enhancing the capacity of big-brand companies to control production networks of thousands of suppliers across hundreds of jurisdictions: with a potential transnational power much greater than many, if not most, states. This is opening up some opportunities to improve "corporate environmental management," but limits and in fact, worsens what is achievable in terms of advancing the

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sustainability of the earth as a whole<sup>[7]</sup>. In particular, a worrying outcome of the corporatization of sustainability is how many activists and donors striving for true sustainability of social and ecological systems are increasingly working within corporatized frames and mandates that narrow and skew their efforts.

This increasing control and framing of sustainability by big-brand companies, as our 2013 book *Eco-Business* reveals, is not only realigning corporate power toward the Walmarts and Coca-Colas of the world, but is also fundamentally transforming the international relations of environmental governance toward the interests of big business.

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**Peter Dauvergne** is a professor of political science and director of the Liu Institute for Global Issues at the University of British Columbia.

**Jane Lister** is a senior research fellow at the Liu Institute for Global Issues.

They are the authors of *Eco-Business: A Big-Brand Takeover of Sustainability* (MIT Press, 2013) and *Timber* (Polity, 2011).

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## About the author:

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