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Big business is no longer the planet's biggest problem

Multinationals will not achieve their sustainability agenda unless they convince smaller companies of the merits

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When Walmart pledged to slash its greenhouse gas emissions to zero and Washington's Business Roundtable endorsed carbon pricing recently, some hailed the news as evidence of a profound shift in corporate attitudes on climate change.

Not quite. If there is such a transformation, it is happening largely in the boardrooms of the world's largest companies. And that poses a challenge for those who have been pushing business hardest in the hope of creating a more sustainable form of capitalism.

To most activists, "big business" has long been a byword for corporate misdeeds, just as politicians use "small business" as shorthand for wholesome entrepreneurialism. Both groups tend to have less to say about those middling companies that make up much of the global economy and remain wedded to business as usual.

Bigness is itself a problem when it leads to monopolistic behaviour, and current antitrust concerns from Brussels to Washington reflect how decades of consolidation have concentrated power in hands of the largest corporations. But most of those giants have bought into a more socially and environmentally responsible way of operating — or been pushed into it by their investors, employees and customers.

In the US, this expressed itself most vividly in the 2019 letter from the Business Roundtable, in which Washington's voice of big business vowed to serve all stakeholders, not just shareholders. But the same impulse can be seen in a Big Oil companies, such as BP pushing into renewable energy, or a Big Tobacco company like Philip Morris International embracing a smoke-free future.

Many outsiders still suspect such moves are cosmetic, but the incentives to back up the words with action are growing, from the growth of funds that screen out environmental, social and governance (ESG) miscreants to the rise of an intangible economy in which no chief executive can neglect brand value. As the author Tyler Cowen put it in his book, Big Business, large companies have helped make the US more socially inclusive because intolerance would narrow their target market.

Critics tend to think that big business has government in its grip, yet we have seen the limits of this theory in the era of US President Donald Trump: well-known CEOs have had little luck in steering his administration's policies in areas from free trade to skilled immigration.

How to put a price on nature Subtitles unavailable If you wonder how the rise of ESG could coincide with the defanging of the US Environmental Protection Agency, for example, the biggest companies are not the leading villains. The likes of ExxonMobil argued against easing methane emissions rules, while the deregulatory agenda was pushed by second-tier companies whose leaders may spend more time tending to local politicians' fundraisers than to World Economic Forum white papers.

As a new report from the Center for Political Accountability shows, even large US companies that loudly champion the fight against climate change still undermine it through their political donations. Too many have also been happy to let the trade associations they fund do political dirty work that is at odds with their greener-than-thou public postures. Now, though, the gap between such lobbying and their public relations has become untenable for some. BP, Royal Dutch Shell and Total have all cut ties with lobby groups over climate issues.

The gap between rhetoric and reality in big business is still too wide. But even the rhetorical shift is important for letting investors and activists hold hypocritical CEOs to account. And even if it was motivated by PR, that is because big businesses have realised they face reputational risks their investors will no longer put up with.

Many smaller companies have understandable reasons for not embracing the sustainability agenda: sustainable development goals and ESG metrics can be costly and complex to navigate, notes Andrew Wilson, the International Chamber of Commerce's permanent observer to the UN. Campaigners for a more sustainable model of capitalism should pay greater attention to what companies are quietly lobbying for than to what they're putting in their press releases. But they must also focus on changing behaviour among mid-tier companies.

If they do, they will find some of their most motivated allies in the corporate world's upper echelons. Almost 1,000 multinationals have made Paris-aligned commitments, Mr Wilson notes, but few have aligned their suppliers with those goals. The typical multinational's supply chain generates 5.5 times more emissions than its direct operations. They cannot keep ignoring this problem.

The biggest businesses are under increasing pressure to take responsibility for their suppliers' behaviour, notes Alison Taylor, executive director of NYU Stern's ethical systems centre. Where she has seen smaller businesses adopt sustainability programmes, she adds, it was typically as a result of pressure from large corporate customers such as Apple or GSK.

Bosses of big companies who are in earnest about their environmental and social goals need to realise that they will not be reached without support from businesses outside their elite circles. And the largest companies' harshest critics should consider that, in their own pursuit of those goals, big business may not be the biggest problem.