Big brand sustainability: Governance prospects and environmental limits

Peter Dauverne *, Jane Lister

Liu Institute for Global Issues, University of British Columbia, 6476 NW Marine, Vancouver, BC V6T 1Z2, Canada

A R T I C L E   I N F O

Article history:
Received 16 February 2011
Received in revised form 15 October 2011
Accepted 17 October 2011
Available online xxx

Keywords:
Multinational corporations
Corporate environmentalism
Global environmental governance
Retail
Sustainable consumption
Supply chains

A B S T R A C T

This article introduces and evaluates the implications for global environmental change of the rising power and authority of big brand companies as global environmental governors. Contributing to the private governance literature and, in particular, addressing the gap in this research with respect to the political implications of individual firm ‘buyer power’, the article provides evidence and analysis of how big brand sustainability is altering the power relations within global supply chains, and the governance prospects and limits of this trend. The authors argue that recent brand company efforts through their global supply chains, while still a long way off from their goals, are achieving environmental gains in product design and production. Yet, these advances are also fundamentally limited. Total environmental impacts of consumption are increasing as brand companies leverage corporate sustainability for competitive advantage, business growth, and increased sales. Big brand sustainability, while important, will not on its own resolve the problems of global environmental change. In conclusion, the article highlights the importance of a co-regulatory governance approach that includes stronger state regulations, sustained advocacy, more responsible individual consumerism, and tougher international legal constraints to go beyond the business gains from big brand sustainability to achieve more transformational, ‘absolute’ global environmental progress.

1. Introduction

A surprising, seemingly encouraging, yet also concerning global environmental governance trend has emerged over the last decade. Since 2005 the world’s largest branded multinational corporations (MNCs) like Walmart, Coca-Cola, McDonald’s, HP, and Nike have entered a competitive race to become what they are labeling, ‘global sustainability champions’. In the absence of well-developed and enforced international environmental standards, they are defining sustainability in corporate terms, adopting the goals in their operations, and driving corporate sustainability rules through their global supply chains – effectively behaving as global environmental regulators.

What is unexpected is not just that these economic powerhouses are committing to unprecedented corporate environmental goals. It is that they are also ‘walking the talk’ and gaining legitimacy as they do so. Unlike BP’s 2001 marketing campaign to go ‘beyond petroleum’ or Ford’s empty promise in 1999 to ‘bring about the demise of the combustion engine’, the current trend goes beyond simply ‘greenwash’ (although this certainly still occurs). Rather, these branded consumer goods manufacturers and retailers are increasingly integrating environmental goals into their core business strategy. They are demonstrating progress (although still a long way off from their goals). And they are gaining support, and hence political authority, for their global governance efforts through partnerships with advocacy groups and governments.

Given the increasing capacity of big brands to leverage sustainability into business value and governance authority this article asks: What are the prospects and limits for global environmental management? Our research is based on a systematic review of multiple sources of data emerging around this trend, including corporate reports, news releases and statistics, triangulated with articles, conference videos and proceedings, and literature from academic, governmental, media, financial, consulting, and nongovernmental organizations. This synthesis of secondary evidence and the analysis we present contributes to the growing scholarship on the rising importance of private authorities for shaping global environmental institutions, rules, norms, and ultimately change (Dauvergne, 2008; Falkner, 2007; Fuchs, 2007; Levy and Newell, 2005). In particular, it addresses a gap in this literature with respect to the political implications of increasing individual firm ‘buyer power’ and governance authority through global supply chains (Mayer and Gereffi, 2010; Clapp and Fuchs, 2009).

The private governance literature has been especially insightful for revealing the importance of corporate power for shaping the
form and content of shared private governing mechanisms like eco-certification (Cashore et al., 2004; Clapp, 2005; Gulbrandsen, 2010; Lister, 2011; Pattberg, 2007). Scholars have investigated how and why industry frame issues, lobby states, and partner with nongovernmental organizations (NGOs), uncovering the ways evolving corporate authority and legitimacy (and conflicts within business) are constructing market- and state-led environmental governance. Our research adds depth to the understanding of the growing importance of governance within the corporate world, with particular insights into the increasing power and influence of brand MNCs.

Our findings highlight the dangers and opportunities of the increasing power and authority of big brands to shape global environmental governance. On the one hand, the rising political authority suggests a need for transnational negotiations and institutions to do more to engage and bring them on board. This would seem especially vital for problems like climate change because state capacity and willingness to address the causes are low and inconsistent, leaving many governments failing to do much at all. We show how governments and NGOs are finding creative ways to leverage the speed, scale, and innovation of big brand governance to augment international laws, state regulations and civil society efforts to manage global environmental change. On the other hand, our analysis also stresses the danger that states and societal groups not overestimate the potential of these companies to alter the consequences for the global environment from the sourcing, production and retailing of consumer goods as a whole.

Brand companies are decreasing the per unit intensity environmental impacts of their products through eco-efficiency. Yet, they are also adopting sustainability to drive business growth and increased consumption. Corporate sustainability efforts can help to slow the impacts of economic growth, but not eliminate the consequences. How the tension plays out on the ground in terms of the extent of brand company improvements versus accumulated ecological impacts is beyond the scope of this article but is a critical area for future empirical investigation.

Overall, we stress that brand company sustainability efforts alone will not resolve the eco-pressures from a growth-dependent world economy. Effective global environmental governance will ultimately involve a shared governance approach with strong regulation and sustained advocacy to go beyond the important but ultimately incremental big brand market improvements.

To begin, we review the growth of economic power of big brands within globalizing supply chains and the world economy. We define ‘big brands’ to include branded retail companies like Walmart, The Home Depot, McDonald’s and Best Buy, as well as the manufacturers of branded consumer goods products like Nike, Procter & Gamble, Nestlé, HP, and Coke. We conflate brand ‘retailers’ and ‘manufacturers’ in part because that traditional distinction is increasingly blurred as retailers manufacture their own private labels, and as brand manufacturers like Nike and Apple open their own retail stores. Next, we present evidence of the emerging trend of accelerated big brand environmentalism, and how, among the many influencing conditions and factors, business value is a key driver. We then evaluate how brand companies are capturing this value, and how these corporate sustainability initiatives (particularly supply chain efforts and partnerships) are contributing to rising big brand legitimacy and environmental governance authority. In conclusion, we analyze the prospects and limits of this emerging private governance power for global environmental change.

2. Big brands in the global economy

Over the last several decades, retail has become an engine of the global economy and retail chain stores have gained significant economic power. Twenty years ago retail was not even a category in the Fortune 500 ranking of the world’s biggest companies. Now, fifty of the top companies are brand retailers, with Walmart at the number one spot.

With economic globalization, trade has integrated but production has disaggregated as corporations have competed to outsource manufacturing and services to the lowest-cost countries with the cheapest labour: what Arndt and Kierkowski (2001) refer to as the ‘fragmentation’ of production across the global system. Countries like Brazil, India and especially, China have become the epicenter of global production. They are meeting rising demand at home, but are mainly competing for access to global brands to supply European and North American consumers (Gerth, 2010). This South–North trade is through increasingly concentrated markets with a decreasing number of very large brand companies controlling where, when and how products are made and sold worldwide (Gereffi and Korzeniewicz, 1994; Mayer and Gereffi, 2010).

The growth of the global outsourcing business model helps to explain the rise of retail in the world economy. One-third of global gross domestic product (GDP) and 70% of all employment and economic activity in developed countries is now tied to retail. Within this retail economy, the consumption of discount goods has been rising especially quickly, with retail chains a driving force (Laird, 2009; Shell, 2008; Andersen and Poullfelt, 2006). Whereas up until the 1980s, most American consumers shopped at small grocery, hardware, lumber, garden, apparel, electronics, and pharmacy stores for their household needs, now, according to the US Census of Business, more than 60% of retail sales in America are at retail chains – large format stores that can be over 150,000 square feet in size and typically stock over 50,000 low-cost products at a single location. Over 22 million consumers, for example, shop at The Home Depot every week; more than 100 million visit a Walmart store.

These shifts in production and consumption help to explain the rise of brand power. As Gereffi (2004) explains, with production outsourced to many producers and yet retail concentrating among brand firms, these companies have become the main ‘gateways’ to the largest, Northern markets. Consequently, brand companies wield significant control within global supply chains (Appelbaum and Lichtenstein, 2006).

Brand MNCs have realized remarkable growth through a competitive strategy of high-volume, low-cost outsourcing. This has enabled them to out-compete smaller firms largely on the basis of economies of scale and low prices. The Gap, for example, increased its apparel sales revenues 24,000 percent from 1984 to 1999. Walmart revenues grew exponentially from $1 billion a year in 1979 to now well over $1 billion a day. The brand company competitive advantage is rooted as well in how they control, lead and gain efficiencies along complex supply chains, most of which now thread through under-regulated regions. Walmart, for example, has a 12,000 mile supply chain with over 100,000 suppliers. At least 10,000 are in China alone, and these suppliers in turn rely on a large network of even lower-cost sub-suppliers in developing economies like Vietnam, Indonesia and Sri Lanka. Walmart is the biggest company in the world (with 2.1 million employees and $419 billion in revenue in FY2011) largely because of its leading supply chain logistics (Lichtenstein, 2009, 2004; Brunn, 2006).

Outsourcing provides these companies more flexibility, cost savings and inexpensive inputs, but it also forfeits some direct control and introduces new risks, particularly around quality and reliable supply. Defective, toxic, and illegally produced products can cost companies millions in lost inventory as well as reputational damage. In an effort to govern these long global chains, brand retailers and manufacturers have been
implementing policies and procedures to stabilise and improve production flows and product quality, and ultimately try to minimise financial risks and capture more business value (Gereffi et al., 2005). Brand companies, as we show next, are increasingly adopting corporate sustainability as a means to govern these chains and achieve these business goals.

### 3. The rise of big brand sustainability

Brand multinationals have been developing corporate environmental policies, codes and programs for several decades now (Prakash, 2000; Prakash and Potoski, 2006; Welford, 1996). Commitments and implementation have been accelerating in recent years, however, as these companies compete to define and integrate environmental considerations into their core operations, products and supply chains, ultimately linking sustainability to their most valuable asset: their brand.

A brand is commonly identified by a label or logo, but more importantly, as Arnold (2009, p. 8) explains, it is defined by what it does: it is the value that consumers associate with it. Volvo is safety. Nokia is connecting people. Walmart is saving money. The bigger the brand, the harder it is to control the reputation and, hence, the greater the vulnerability. A brand can take 100 years to build; yet, a corporate mistake or scandal can ruin it overnight. Companies therefore go to great lengths to guard their brands. The fact that many are now tagging sustainability to their company and product brands is a strong indicator of the rise in business importance of corporate environmentalism.

#### 3.1. Branding corporate sustainability

Over the last two decades corporate environmentalism has been gradually shifting from a narrow, reactive approach to a more proactive and integrated business strategy (Bansal and Hoffman, 2011; Hoffman, 2001; Dunphy et al., 2007). Today, it is still partly about public relations – and, no doubt, some of it is still little more than greenwash. But, something is also different. Corporate sustainability goals reach further, include measurable targets, are audited by independent groups, and are integrated into the core business through increasingly standardized business tools, such as life-cycle assessment, supply chain tracing, eco-certification, and sustainability reporting. Business books are increasingly documenting the competitive value of these new tools (Cramer and Karabell, 2010; Esty and Winston, 2009; Makower and Pike, 2009).

In 2005, Walmart set the precedent, becoming one of the first big brand companies to adopt ‘aspirational’ corporate environmental goals: promising to aim for zero waste, and 100% sourcing of renewable energy. Since then, most brand companies have announced similar goals (Table 1). Procter and Gamble, for example, is aiming for 100% recyclable or renewable materials in all of its products. Nike, through its Considered Design program, is working towards carbon neutrality. Coca-Cola is implementing new processes and technologies towards water neutrality. And McDonald’s is seeking to create a more sustainable restaurant menu by sourcing more responsibly produced beef, poultry, palm oil, and coffee. These are, no doubt ambitious goals, and as the companies admit, will require new business approaches.

To meet their goals, companies are breaking them down into specific targets and timelines. On its way to its goal of becoming ‘the world’s most sustainable retailer’, for example, Marks & Spencer has defined 180 specific commitments to achieve by 2015 in its ‘Plan A’ corporate sustainability strategy (announced in 2007). As reported in their 2010/2011 annual progress report available on their corporate website, 95 commitments have been achieved, 77 are on plan, 7 are behind and 1 is on-hold.

To reinforce the credibility of their efforts, brand companies are consulting and working cooperatively with a range of stakeholders, including universities, governments, and activist organizations (see Section 5.2). The board of directors for Marks & Spencer’s Plan A strategy, for example, includes nine sustainability experts, including the CEO of WWF UK, the CEO of Business for Social Responsibility (BSR), a founder of Forum for the Future, and a professor from the Harvard Business School. Many big brands are also hiring third-party, independent, professional auditors and certification agencies to evaluate the accuracy of their reports and the sustainability of their practices.

It remains to be seen whether brand companies will fully carry out their goals (and whether they are fully feasible). Still, they are collaborating with leading experts and external organizations to help them get there, and early signs are that they are realizing some important improvements.

#### 3.2. Measurable incremental improvements

Brand companies are achieving some measurable incremental advances in corporate sustainability. These gains do not, however, mean that these companies have become ‘sustainable’. As noted, they remain engines of increased consumerism. Nonetheless, greening efforts are reducing the per unit energy, material, water, chemical, carbon and waste impacts of many consumer goods, as well as working to slow the rate of growth (not necessarily total growth) of the ecological footprint of core operations and supply chains. Companies are reducing packaging, avoiding chemicals, improving energy efficiency, increasing renewable energy, and so forth. One example, among many, was the move by Tesco and

---

Table 1

<table>
<thead>
<tr>
<th>Company</th>
<th>Sustainability strategy</th>
<th>Year</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDonald’s</td>
<td>Sustainable land management commitment</td>
<td>2011</td>
<td>Ensure the food served in its restaurants is sourced from certified sustainable sources</td>
</tr>
<tr>
<td>Best Buy</td>
<td>Greener together</td>
<td>2010</td>
<td>Encourage consumers to reduce, reuse, and trade-in ‘end of life’ electronics</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>Sustainability vision</td>
<td>2010</td>
<td>Design products to maximize the conservation of resources</td>
</tr>
<tr>
<td>Unilever</td>
<td>Sustainable living plan</td>
<td>2010</td>
<td>Decouple growth from environmental impact</td>
</tr>
<tr>
<td>PepsiCo</td>
<td>Performance with purpose</td>
<td>2009</td>
<td>Deliver sustainable growth by investing in a healthier future</td>
</tr>
<tr>
<td>IBM</td>
<td>Considered design</td>
<td>2008</td>
<td>Performance without compromising sustainability</td>
</tr>
<tr>
<td>Starbucks</td>
<td>Smarter planet</td>
<td>2008</td>
<td>Apply smart technology systems to sustainability solutions</td>
</tr>
<tr>
<td>Marks &amp; Spencer</td>
<td>Plan A</td>
<td>2007</td>
<td>Environmental stewardship, ethical sourcing and community goals</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>Live positively</td>
<td>2007</td>
<td>Become the world’s most sustainable retailer by 2015</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>Healthy planet</td>
<td>2006</td>
<td>Make a positive difference in the world</td>
</tr>
<tr>
<td>Walmart</td>
<td>Sustainability commitment</td>
<td>2005</td>
<td>Strategic plan to help safeguard the health of the planet and people</td>
</tr>
<tr>
<td>General Electric</td>
<td>Ecomagination</td>
<td>2005</td>
<td>Achieve zero waste, 100% renewable energy, and sustainable sourcing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Growth through clean energy, clean water and clean technologies</td>
</tr>
</tbody>
</table>

Source: Company reports (with goals partly quoted or paraphrased).
Unilever (the UK’s biggest packaged consumer goods retailer and manufacturer) to divert 100% of their waste from landfill: a goal that they have achieved and that is pushing competitors like Sainsbury, Sobeys, and Asda to realize the same.

Increasingly large and visible sustainability investments are also helping to scale up green innovation and commercialize new technologies within mainstream markets. IKEA is developing giant wind farms across Europe to power its facilities. Coke has built the largest recycling plant in North America and has similar plans for Europe. And Walmart has become the largest private solar power producer in the United States, as well as the largest global buyer and seller of organic produce.

Progress, we should stress, is inconsistent. Some goals are on target; others, though, are falling short. Starbucks, for example, is on track with its renewable energy use and ethical sourcing, but has failed, so far, to meet its energy reduction and recycling targets. Walmart is moving well ahead in waste reduction, renewable energy use, and sourcing sustainably produced products, but only reached half of its carbon reduction target for 2010. Despite the challenges, however, brand company commitments and efforts are continuing to accelerate.

3.3. Accelerating corporate environmentalism

Why is the uptake of corporate environmental sustainability among big brands gaining such momentum? Multiple influencing factors are at work and the mix varies somewhat across sectors, jurisdictions and firms (influenced in part by factors such as company size and history, the intricacy of the supply chain, and product complexity). As recent business surveys highlight (Accenture, 2010; AT Kearney, 2009; McKinsey & Company, 2011; Boston Consulting Group, 2011), advocacy campaigns and NGO partnerships are playing a role. So are rising consumer demand, growing public awareness, employee interest, and new environmental legislation. To some extent as well, the accelerating uptake reflects more responsible leadership, and the growing confidence of corporate executives in the value of sustainability. Changes and growing challenges within the global political economy are also creating conducive conditions. These include climate change, the global financial crisis of 2007–2009, soaring and fluctuating commodity prices, increasing resource scarcities like oil and water, and the shift in market growth opportunities from developed to emerging economies.

A main driver, however, is business value. As McKinsey (2011) consultants find in a recent survey, brand companies are integrating sustainability as a strategic tool to achieve well-established business goals: reduced costs and greater efficiencies; increased revenues and markets; and improved supply chain productivity and performance. An Accenture (2010) survey found that 90% of CEOs now see sustainability as a crucial strategy for the success of their company. A Boston Consulting Group survey (2011, pp.7–8) found that 60% of companies increased their sustainability investments in 2010 despite the economic downturn. And AT Kearney (2009) calculated that companies with a commitment to sustainability outperformed their competitors during the financial crisis by 15%. As Nike (2009) stresses in their 2009 Corporate Sustainability report: ‘…the opportunity is greater than ever for sustainability principles and practices to deliver business returns and become a driver of growth …we’re integrating sustainability into everything we do’. Procter & Gamble’s VP of global sustainability, Len Sauers, also echoes the mounting evidence of the opportunity to leverage sustainability for growth, explaining the recent shift in the company’s environmental focus to business value: ‘…we began to think that sustainability could be more than a responsibility, it could be an opportunity to build the company’s business’ (Boston Consulting Group, 2011, p. 15).

4. Leveraging sustainability for business value

Companies like Interface Carpets, Ben & Jerry’s, Whole Foods, Xerox, and 3 M have demonstrated for decades the potential benefits of corporate sustainability. Business scholars have analyzed and documented the opportunities of ‘strategic corporate social responsibility (CSR)’ (i.e., the integration of sustainability into core business strategy to create business value and societal benefits) (Lubin and Esty, 2010; Porter and Kramer, 2006). While debate continues on the extent of the precise correlation between CSR and financial performance (Portney, 2008), big brands are forging ahead – embracing corporate sustainability strategies to improve bottom line efficiencies, grow top line revenues, access new markets, and ultimately gain competitive advantage.

4.1. Eco-efficiency savings

The potential for eco-efficiency savings from ‘doing more with less’ and ‘closing the loop’ (McDonough and Braungart, 2002) on energy, water and material usage and waste outputs is growing. It is typically the first sustainability effort that companies undertake as it is often the easiest to demonstrate a return on investment and an improvement to operating margins. Such greening efforts continue to be important to business value, but have recently intensified with recessionary pressures, high commodity prices, and the increased need to compete in markets dominated by low-cost, high-volume retailers.

Financial hurdles – including managing upfront costs, payback periods, access to capital, and uncertainty around how to measure the savings – continue to challenge company efforts. The scale and the levels of financial return, however, are increasingly significant. Johnson & Johnson, for example, put US$187 million into energy reduction projects from 2005 to 2009 and realized nearly a 19% internal rate of return on their investment (Boston Consulting Group, 2011, p. 8). According to Marks & Spencer’s (2011, p. 1), its efforts to reduce packaging and fuel usage and increase recycling and energy efficiency saved the company over £70 million in 2010/2011, up from £50 m in 2009/2010. Packaging reduction efforts alone saved £11 million in 2010/2011.

4.2. Revenues and markets

Brand companies are not just embracing sustainability to reduce costs. They are also integrating it as a core business strategy to achieve growth – that is, attract new customers, increase sales, and access emerging markets. The business opportunities around mainstreaming sustainability are increasing. In 2008 alone, the market research firm Penn Schoen Berland estimates that American consumers doubled their spending on ‘sustainable products and services’: to about US$500 billion (summarized in Bhanoo, 2010, B3). General Electric, which refers to corporate sustainability as ‘a key driver of reliable growth’, expects the US$17 billion in revenue from its Ecomagination program to grow at twice the rate of other company revenues over the next five years. Procter & Gamble is also projecting high returns from its corporate environmental efforts, committing to doubling its green product revenues from US$10 billion to US$20 billion by 2012.

In particular, brand companies are eyeing the opportunity to leverage sustainability to gain access to emerging markets. Over the next decade another billion consumers are set to enter the middleclass; 60% will be in emerging economies like Brazil, India and China (Kharas and Gertz, 2010; also, see Lange and Meier, 2009). Analysts for McKinsey (2010) predict that over the next decade spending by the 2 billion middleclass in the top 12 emerging countries will increase from around US$7 trillion to
US$20 trillion: by then about twice as much as total consumption in the United States. Entering these markets, where consumer incomes are lower but growth is faster, requires companies to be lean (low cost and efficient) and innovative. Big brands are adopting corporate environmental tools to meet these requirements and gain market access and market share. As Unilever CEO Paul Polman explains, ‘We are already finding that tackling sustainability challenges provides new opportunities for sustainable growth… It creates preference for our brands, builds business with our retail customers, drives our innovation, grows our markets and, in many cases, generates cost savings…’ (quoted in Unilever, 2010).

4.3. Supply chain greening

By rolling out efforts through supply chains brand buyers and manufacturers are pursuing an opportunity to multiply financial benefits, enhance corporate performance, and reduce the per unit intensity of rising output (Brammer et al., 2011; Cetinkaya et al., 2011; Emmett and Sood, 2010). This includes setting environmental operating requirements and green product specifications within contracts and supplier responsibility codes, in addition to implementing certification and eco-labeling programs (Boström and Ljusvall, 2008; Conroy, 2007; Gulbrandsen, 2010; Lister, 2011). Sustainability is also providing an increasingly important source of supply chain innovation. As John Paterson, IBM’s vice president of global supply and chief procurement officer sums up, ‘…it’s clear that there’s real financial benefits to be had for procurers across the world to get innovative with their suppliers’ (quoted in Woody, 2010).

Beyond direct commercial gains, brand companies are implementing environmental policies across their supply chains to achieve more intangible, indirect benefits, namely risk management and stronger brand reputation. This includes increasing supplier transparency and accountability about their practices, which the brand companies are using for identifying, assessing and limiting risks, as well as increasing consumer trust. From a Disney T-shirt to a Dole organic banana, consumers can now scan with their smart phone or go online to trace a product from the farmer to the retail shelf.

Big brands are employing business tools like supply chain tracing, product life-cycle assessments, and supplier audits to reveal environmental ‘hotspots’ and reduce exposure to question-able practices by poor-performing producers: from illegal sourcing to the use of hazardous chemicals. Addressing these risks is increasingly imperative, not just to guard brand reputation, but also to avoid regulatory penalties. In the US, for example, the 2008 amendment to the Lacey Act leaves American retailers liable for importing ‘illegal’ timber into the United States, and the Dodd-Frank Wall Street Reform and Consumer Protection Act imposes new due diligence requirements for companies (particularly in the electronics sector) to trace the country of origin and avoid conflict minerals in their products. And across all jurisdictions, carbon regulations are pending or already in place. Companies with inadequate supply chain knowledge face increasing risks on many fronts.

5. Governance power

As shown, brand companies are turning sustainability into business value. They are integrating supply chain sustainability policies and programs to reduce company risks, lower costs, ensure product quality, and improve business performance. This is reinforcing their control over global supply chains and also their governance power to act as chain leaders: to define agendas, set rules, oversee implementation, and penalize laggards for non-compliance. In turn, big brand sustainability is spurring changes in business practices among suppliers worldwide. Through their commitments and demonstrated gains, brand companies are also gaining legitimacy and influence with NGOs and governments – essential levers of global environmental change – and fundamentally altering the power dynamics around who gets to make the rules in global production and environmental governance.

5.1. Supply chain control

The scope and reach of supply chains can provide unmatched power to shape global environmental change. Although the capacity to control globalizing supply chains varies across companies, ‘it is not an accident’, explains Mayer and Gereffi (2010, p. 9), ‘that many of the most prominent cases of private regulatory governance involve very large lead firms with more-or-less captive suppliers’. Big brands have typically used this governance power to squeeze suppliers to cut costs. This helps to keep retail prices low. But it can also push suppliers to cut corners (i.e., reducing environmental and social standards) to meet low-cost demands.

Recognizing the drawbacks of this in terms of increased risk, brand companies are increasingly adopting corporate sustainability programs as a means to establish rules, oversight, and closer relationships with their suppliers: to work with them directly to keep production costs down through eco-efficiencies while also helping to ensure high-quality, reliable output. Nestlé, for example, through its ‘Going Beyond the Cup’ sustainability plan, has partnered with the Rainforest Alliance and the Sustainable Agriculture Network to invest $336 million over 10 years to work with local coffee farmers to use less water and chemicals and avoid clearing rainforest, but also to improve coffee bean crop yields and quality.

Suppliers are generally eager to comply and cooperate with the big brand companies because they do not want to risk being switched for a more compliant business, and thus lose out on a vital contract. Although anecdotal, the managing director of Lutex, a Hong Kong-based health and beauty company, captures well the nature of the controlling influence of brand company sustainability: ‘We heard that in the future, to become a Wal-Mart supplier, you have to be an environmentally friendly company. So, we switched some of our products and the way we produced them’ (quoted in Mufson, 2010, p. G01).

Corporate sustainability is fundamentally lending social legitimacy to brand companies when they push – and perhaps punish – suppliers with directives, codes and advice. Examples of rising big brand power to control global production practices through sustainability programs include Walmart’s recent mandate to its 100,000 suppliers to cut their carbon footprint by 20 million tonnes by the end of 2015 or risk being dropped for a less carbon intensive competitor. IBM has also introduced a requirement (since April 2010) for its 28,000 ‘first tier’ suppliers and their sub-contractors to implement an environmental management system as well as publicly report emissions, energy use, waste production and recycling rates. The penalty for non-compliance is getting cut from the company’s US$40 billion global supply chain.

Big brand companies are not just gaining compliance with their corporate sustainability policies through threats. They are actively overseeing and encouraging implementation of supply chain requirements through codes of conduct, purchasing policies, certification, and audits. They are also building strategic social capital: cooperating and partnering with advocacy groups, governments, and other key organizations to facilitate acceptance and uptake of their policies.
5.2. Partnering for power

Joseph Nye (2011, p. xvii), in his book on the future of power in the 21st century, stresses the importance of cooperative trust: ‘it is not enough to think of power over others. We must also think in terms of power to accomplish goals that involve power with others. In this world, networks and connectedness become an important source of relevant power’. Big brands are recognizing the importance of cooperative networks to achieving their goals and are cooperating with a broad range of organizations to facilitate and increase the feasibility, effectiveness, legitimacy, and acceptance of their corporate sustainability and business growth efforts.

These collaborations involve activist groups (e.g., Greenpeace, Sierra Club, and WWF), buyer networks (e.g., the WWF Global Forest and Trade Network), business councils (e.g., World Business Council for Sustainable Development, Business for Social Responsibility, and the World Economic Forum Sustainable Consumption Initiative), eco-certification bodies (e.g., US Green Building Council, Roundtable on Responsible Palm Oil, Marine Stewardship Council, and the Forest Stewardship Council) and an increasing number of industry-led sustainability groups (see Table 2).

Collaboration is occurring through membership in various industry-led organizations like those in Table 2, but also through partnership with diverse groups with expansive mandates and visions, such as Walmart’s multistakeholder sustainable value networks set up around broad issues like packaging, logistics, agriculture, waste and energy. Other partnerships are specific bilateral business agreements. Clorox, for example, has partnered with the Sierra Club to develop and market its Greenworks natural cleaning products. Clorox gets the Sierra Club endorsement and logo on its products; the Sierra Club gets an undiscounted amount of the proceeds.

The rise of big brand environmentalism is opening up opportunities for environmental groups to partner with the companies to increase the speed and scale of their advocacy efforts to transform markets and vault eco-products into the mainstream. ‘Corporations can be extraordinarily dynamic, powerful, and swift allies’ Greenpeace USA explains (on their website) to justify their partnership with brand companies like Coca-Cola. Similarly, the Environmental Defense Fund (2011) explains the opportunity to scale up their environmental efforts through their partnership with Walmart: ‘Our goal in working with Walmart is to leverage what the retailer does best – creating efficient systems, driving change down through its supply chain and accessing a huge customer base – in order to dramatically advance environmental progress’.

These partnerships do involve risks for advocacy groups. And some activists adamantly oppose them, arguing they are shifting priorities and approaches, leaving NGOs content with achieving incremental rather than fundamental change to the nature of an unsustainable growth-dependent world economy. Other activists, however, see great governance potential from such partnerships that even go beyond what state-led international mechanisms can accomplish. As Gerald Butts, the President and CEO of WWF Canada, explains with respect to his enthusiasm in working cooperatively with Coke: ‘We could spend 50 years lobbying 75 national governments to change the regulatory framework for the way these commodities are grown and produced. Or these folks at Coke could make a decision that they’re not going to purchase anything that isn’t grown or produced in a certain way – and the whole global supply chain changes overnight’ (quoted in Houpt, 2011, p. B6).

For advocacy groups frustrated with decades of slow progress and small gains, the prospects of leveraging big brand sustainability are too large to ignore. For brand companies, these partnerships are providing credibility: reinforcing their power and legitimacy to enforce global rules around what they define as sustainable products and production processes for business value gains.

5.3. Guiding governments

As big brand sustainability gains momentum and credibility, governments are seeing prospects to leverage this new form of private governance to advance policy, shape business practices, and supplement enforcement. Since the 1970s, governments have been implementing public sector reforms, market-based instruments, and self-regulatory approaches to improve the efficiency of policy and program delivery (Jordan et al., 2003). In certain cases, as within the financial, accounting, medical, and media sectors, governments have formally delegated the authority to self-regulate. With the consumer goods industry, however, this has not been the case. Brand companies, as discussed, are gaining legitimacy through other means, and governments, for the most part, have stayed on the sidelines of brand company voluntary efforts.

Recently, however, some governments are doing more to lend credibility to brand company initiatives, from endorsing to adopting and leveraging them as a policy supplement. For example, for toxic substances, where governments have failed to regulate fully, the US Environmental Protection Agency (EPA) has praised companies like Walmart for stepping up to fill regulatory gaps. In the absence of regulation, Walmart is now doing its own testing to ensure that its products do not contain toxics like polybrominated diphenyl ethers (PBDEs) – flame retardants that are banned in the EU and some US states but still show up in household items like toys, pillows, and furniture. As the EPA Office of Chemical Safety and Pollution and Prevention acknowledged, ‘The EPA has long had concerns about PBDEs. Walmart has taken an important step towards protecting children and families from exposure to toxic chemicals’ (quoted in Layton, 2011, p. A04).

Governments in North America and Europe are adopting private sustainability programs like forest certification into their own operations and even mandating it to improve public perceptions and market acceptance of state forest management (Cashore et al., 2004; Gulbrandsen, 2010; Lister, 2011). They are also incorporating private

<table>
<thead>
<tr>
<th>Consortia</th>
<th>Year formed</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Apparel Coalition</td>
<td>2011</td>
<td>Encourage sustainable manufacturing and inform consumers of the ecological impact of clothing</td>
</tr>
<tr>
<td>Consumer Goods Forum</td>
<td>2009</td>
<td>Develop and promote the implementation of responsibility standards along consumer goods supply chains</td>
</tr>
<tr>
<td>The Sustainability Consortium</td>
<td>2009</td>
<td>Encourage more sustainable products through scientific research, innovative technology, and standards</td>
</tr>
<tr>
<td>Beverage Industry Environmental Roundtable</td>
<td>2006</td>
<td>Define a common framework and drive continuous improvement in beverage industry environmental stewardship</td>
</tr>
<tr>
<td>Electronics Industry Citizenship Coalition</td>
<td>2004</td>
<td>Improve working and environmental conditions in electronics supply chains</td>
</tr>
</tbody>
</table>

certification programs (e.g., the LEED green building standard) into public agency procurement requirements.

As well, governments are collaborating to leverage brand company sustainability. The US Conference of Mayors, for example, has partnered with Walmart to help American cities innovate to reduce energy consumption and carbon emissions to fight climate change. And cities across the US are also working with Walgreens, Supervalu and Walmart on First Lady Michele Obama’s initiative to resolve the problem of urban ‘food deserts’ in America: low income neighborhoods that lack access to fresh produce and pharmaceuticals.

Many examples of government co-regulation of big brand sustainability are also emerging in China. The government of Yunnan province has signed an agreement with Starbucks to improve farmer practices and yields; and China’s central government has signed a series of agreements with Walmart. Through the Ministry of Science and Technology Walmart has a memorandum of understanding (MOU) for the company to roll out its environmental policies and programs to its 10,000 suppliers across China to improve the quality, innovation, and efficiency of factories and products. Specific requirements that Walmart is enforcing include legal compliance, higher standards of product safety and quality, and greater transparency of the names and location of every factory that makes products that Walmart sells. China’s State Forest Administration has also signed an MOU with Walmart to help promote and achieve forest management certification in China. And China’s Ministry of Environmental Protection has an MOU with Walmart to develop green supermarkets across the country.

The Chinese government, like many others, has recognized the opportunity to leverage the governance power of brand companies to propel the uptake and standardization of corporate sustainability practices across business sectors, and in so doing, improve their efficiency, product quality and global competitiveness.

Brand companies acknowledge their potentially significant policy role. As Coke’s CEO explains, ‘Weak public governance harms both a country’s people and its environment … business has opportunity and motive to change that by contributing to building better governance systems and public institutions … which are fundamental to sustainable social and economic development and therefore sustainable communities and business success’. Critically for the brand company, cooperation with governments around corporate sustainability goals is providing them with a significant competitive advantage: access and legitimacy to expand their business operations into new markets.

6. Implications for global environmental governance

As big brands gain legitimacy as private governors, political authority in the global arena is growing and shifting towards greater corporate power. This raises concerns, particularly with respect to accountability, fair representation, and global equity. But it also brings benefits, such as new governance tools and a rise in the capacity of global environmental governance to keep pace with the rising consequences of the world economy.

6.1. The prospects

Global environmental problems persist as economic growth continues to outpace the institutional response to promote sustainability. State-led efforts to coordinate international solutions remain slow and multilateral agreements weak. Multinational companies as drivers of the world economy are major contributors to the problems but also have the power to alter its course. Brand companies can send signals and issue policies that can quickly change production and supply networks. The supply chains of the world’s largest brand companies, in particular, offer vital leverage points to produce the range, response, and coordination necessary for more systemic global market changes.

At the more micro-level, big brand governance is improving corporate environmental management. Brand retailers and manufacturers are far from reaching the aspirational goals of carbon and water neutrality, zero waste to landfill, or 100% sustainable sourcing. Still, at least when calculating on the basis of per-unit of sales, output, or square footage of retail space, the efficiency of energy and resource use is rising and the amount of waste and packaging is declining, independently verified assessments now regularly report.

Suppliers are implementing rather than ignoring brand company sustainability requests to maintain access to the large purchase orders. Big brand sustainability is not just gaining uptake but is also reaching far ahead of government regulation for issues such as toxics reduction, water conservation, renewable energy, and greenhouse gas emissions. Through big brand efforts, green design and eco-products are increasing as well. Global brand buyers are also helping to commercialize new technologies like solar panels and smart meters and are procuring ‘green’ inputs and products even from developing countries. The transparency of supply chains is increasing, too, which is revealing far more about the sources and consequences of supplier products and practices, even in weak regulatory states.

Such changes are opening up some intriguing possibilities for states and NGOs looking for ways to reach into global corporate networks, leverage brand company initiatives, and induce larger market reforms at an unprecedented speed and scale. The lever for NGOs to drive corporate environmental improvements, for instance, is much greater now that brand companies have tied their brands so openly to far-reaching sustainability commitments. The costs to company reputations of failing to meet their goals are significant, and are increasing as competitors demonstrate corporate sustainability progress.

As summarized in Table 3, governments also have increasing opportunity to leverage corporate sustainability tools for policy innovation (Lister, 2011). In terms of more effective rule-making, life-cycle assessment and supply chain tracing tools both identify environmental hotspots where policy interventions (new rules/incentives) could have greater potential for marginal improvements.

| Table 3 |
| Leveraging big brand sustainability for policy innovation. |

<table>
<thead>
<tr>
<th>Policy stage</th>
<th>Corporate sustainability tool</th>
<th>Policy leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule-making</td>
<td>Supply chain tracing</td>
<td>Tools identify hotspots where policy interventions could produce the greatest improvements</td>
</tr>
<tr>
<td></td>
<td>Life-cycle assessment</td>
<td>Tools define environmental rules and requirements that could be adopted into regulations</td>
</tr>
<tr>
<td>Implementation</td>
<td>Supplier codes</td>
<td>to raise the bar on product design and production</td>
</tr>
<tr>
<td>Enforcement</td>
<td>Green procurement</td>
<td>Tools identify corporate failings, improvements, and best practices that could help</td>
</tr>
<tr>
<td></td>
<td>Auditing</td>
<td>policy-makers to better regulate, facilitate and reward progress</td>
</tr>
<tr>
<td></td>
<td>Eco-certification</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sustainability reporting</td>
<td></td>
</tr>
</tbody>
</table>

With respect to enhancing policy implementation, supplier codes and green procurement standards define progressive rules and requirements that have become accepted practice among leading companies and could be adopted into regulations to raise the bar on product and production standards, particularly among lagging businesses. And finally, with regard to policy enforcement, voluntary brand company oversight and accountability programs like environmental audits, eco-certification and sustainability reporting identify corporate improvements, failings, and best practices that can help policy-makers target and mitigate underlying challenges as well as scale up innovations.

At both the macro global economy and micro domestic market levels, then, big brand sustainability offers a mechanism to enhance environmental governance to improve corporate performance. These prospects must be balanced, however, with the innate limits of brand company sustainability governance to bring about more transformational sustainability progress.

6.2. The limits

Fundamentally, big brand sustainability governance on its own will not – indeed, it cannot – achieve global sustainability. Put simply, the planet cannot sustain the impacts of the big brand business model: shipping increasing volumes of cheap goods to global retail outlets to sell to growing numbers of bargain-hunting consumers at discount prices that do not reflect the full environmental and social costs of production.

Brand companies are implementing sustainability governance on their own terms to improve competitiveness and business value. Their aim is to leverage sustainability for business growth while focusing on reducing the intensity of environmental impacts. Consequently, the on-the-ground results of big brand efforts have not been able to reverse – or even measurably slow – the net environmental consequences of rising global consumption on ecosystems such as the global climate, tropical forests, or oceans (Dauvergne, 2010). The underlying objective of this form of governance – more corporate growth and more consumption of retail goods – inherently limits its capacity to reform a growing world discount economy of consumption that is driving global environmental change. As a result, many of the specific measures and mechanisms end up increasing the overall stress on the global environment even as the impact of producing and consuming some products declines marginally.

So far, despite brand company ‘mainstreaming’ efforts, the growth of ‘eco-products’ has been causing low overall shifts to mainstream markets. Fair Trade organic coffee, for example, widely touted by companies like Starbucks, Nestlé, and McDonald’s, still only comprises about 1% of the global coffee market (as of 2008). As Bitzer et al. (2008) find, partnerships to develop a more sustainable coffee chain, despite some notable achievements, are making limited headway within the conventional coffee chain.

Brand company sustainability governance is limited further because much global production occurs in supply chains without a lead company. This includes, for example, many of the consumer goods now moving through emerging and developing economies. As well, branded retail goods only comprise a segment of world consumption; for every branded product, there is at least one unbranded one. Protecting some things in a branded market may well simply shift the consumption elsewhere. Such a process could conceivably lead to an even faster rate of loss, such as when a company is given permission to clear a forest that a local community, company, or government no longer sees as having enough commercial value as ‘timber’ after brand companies stop purchasing wood from the region.

Ejecting a firm from a particular supply chain, moreover, may not end the harmful practice, but instead simply push the firm to sell to another buyer, perhaps even lowering its prices to reach consumers in poorer countries. This can again cause even worse practices – both socially and environmentally – as a firm looks for further ways to cut costs (and thus its selling price). This can add incentives for many of the poor governance practices that are already undermining the sustainability of much of the developing world: smuggling, tax evasion, rent-seeking, corruption, etc. Many brand companies do recognize the potential environmental and social downsides of switching suppliers, and many will give suppliers that fail an audit on environmental grounds a chance to implement reforms (sometimes, as in the case of IKEA, with advisors from the multinational buyer providing mentoring).

Finally, the reliability of many reporting and assessment mechanisms for corporate sustainability is still an open question. Companies are still greenwashing consumers. Even more significant, tools such as life-cycle assessment, supplier scorecards, and eco-labels remain complex and non-standardized making comparisons and interpretation of data difficult and politically charged. Supply chain tracing, eco-certification and audits can also face reporting and effectiveness challenges beyond the control of the big brands: such as government corruption supporting illegal and inaccurate documentation. As part of standard business deals, most companies, big and small, still frequently look the other way when operating in under-regulated developing countries like Zimbabwe, Cameroon or Indonesia (Tacconi, 2007; Zinnbauer et al., 2009).

7. Conclusion

‘The challenge,’ Roberts (2008, p. 375) argues as he reflects on the difficulties of global environmental governance, ‘is to avoid the tendency, too common in environmental social science today, to argue why positive change is unlikely or even impossible, without falling into simplistic cheerleading’. In the case of the big brand companies, it is common in the global governance literature to dismiss any prospects from voluntary corporate sustainability efforts. The business model of mass retail based on global outsourcing and hyper-consumerism is viewed as simply unsustainable.

Early on, critics like Korten (1995), Karliner (1997), and Klein (2000) warned of the destructive impacts of multinational corporations on the planet, while others, like Beder (1997), Welford (1997) and Rowell (1996) spotlighted the role of corporate environmentalism in subverting the global environmental movement. Since then, NGO-industry partnerships have become commonplace and brand company sustainability has been accelerating. For some, these are positive developments. For others, it raises an even bigger warning flag (MacDonald, 2008; Rogers, 2010). For most, though, the implications of increasing corporate sustainability have gone unanalyzed. This article brings the debate and significance of brand company sustainability governance into focus.

Big brand governance is not, and never will be, a complete solution to what Newell (2010) rightly calls the ‘elephant in the room’: the environmental ills of capitalism. Yet it is too powerful to ignore. It can – and is – improving the quality of some products and some processes. At the same time, however, brand MNCs are an engine of a world economy that within the current institutional paradigm must keep growing to function. Profits for big brand companies like Walmart rely on turning over huge amounts of low-cost consumer goods. And all brand MNCs are competing to out-grow and out-expand each other: it is in their corporate DNA to do so.

With the rise of big brand sustainability, private authority is increasing in importance within the transnational governance system. This is increasing the speed and scale of governance
capacity. But fundamentally it is only changing the rules of the game (i.e., how products are produced), not the game itself (i.e., the economic model). Such a conclusion demonstrates the ongoing, if not increasingly greater, need for a shared governance approach— including stronger state regulations, sustained social pressure, more responsible individual consumerism, and tougher international legal constraints on all multinational corporations—to go beyond the business gains of big brand sustainability to achieve more transformational environmental governance progress.

Acknowledgements

A Social Sciences and Humanities Research Council of Canada grant on the ‘Global Environmental Politics of Eco-Consumerism’ provided funding to conduct the research for this article. We would like to thank Jennifer Allan, Linda Coady, Sara Elder, Genevieve LeBaron, and Kate Neville for their feedback on this research. We would also like to thank the two anonymous reviewers for their insightful and helpful comments.

References


