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## Can business collaborate to save the planet?

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*In a world fractured by conflict, the difficulty in intergovernmental coordination to avoid climate catastrophe is apparent. Can business step in and help speed up collaboration? Sarah Ashwin, Nora Lohmeyer, and Elke Schüßler consider a mechanism enabling firms to cooperate with each other to address systemic problems: the creation of market-protected spaces through collective regulation.*

As world leaders meet at **COP 27** in Egypt to address climate change, the difficulty of intergovernmental coordination is strikingly apparent. Even in the face of a **catastrophic threat** to humanity, governments find it hard to exercise national leadership, let alone reach international agreement in a world fractured by conflict such as Russia's invasion of Ukraine. Although the 2022 US mid-term elections offered less succour to election deniers than many commentators had **feared**, the ability of a politically polarised US to offer leadership on pressing

issues such as climate remains in doubt. Can business step into the breach? This post considers a mechanism enabling firms to cooperate with each other to address systemic problems: the creation of **market-protected spaces** through collective regulation.

There are well-grounded reasons for scepticism regarding corporate ethical leadership, most notably in relation to climate change with oil and gas companies **suppressing** their own research highlighting the devastating consequences of fossil fuel use, and **still attempting to evade** emissions reduction. Stories of greenwashing abound, with voluntary corporate social responsibility (CSR) programmes widely seen by researchers to have failed to deliver improved **environmental** or **labour** standards. And yet, businesses remain susceptible to moral claims. For example, while politicians frequently seek electoral gains by declaring a '**war on woke**,' businesses cannot afford to alienate large swathes of consumers, as evidenced by Twitter's recent corporate advertising **losses** following new CEO Elon Musk's apparent **signalling** of reduced content moderation. Learning from the limitations of the CSR movement, are there ways in which businesses can engage in more effective action to address **grand challenges** such as climate change and providing **decent work**?

A key problem with CSR programmes was that, with the exception of some niches, the market payoffs were **never sufficient** to incentivise ethical production. For example, firms seeking to introduce living wages or higher safety standards in their supply chains faced being undercut by less scrupulous competitors. Multi-stakeholder initiatives (MSIs) which **emerged** in late 1990s sought to address this problem by encouraging collaboration between firms and other stakeholders, but the voluntarism of such initiatives limited the extent to which they could address issues such as living wages where competition **stymied action**. Binding agreements, by contrast, offer a way in which the competitive market logic can be restrained in areas that require social or environmental protection. Below we show how binding agreements between firms and other actors can offer a way forward when (inter)governmental solutions seem out of reach.

The potential of market-protected spaces can be observed particularly well in the global fashion industry – a prime example of a globalised and highly competitive

industry with high social and environmental costs. Garment retailers that had for decades participated in voluntary CSR programmes and MSIs faced a crisis when in April 2013 the Rana Plaza building in Bangladesh, which housed five garment factories, **collapsed** killing at least 1,132 workers and injuring over 2,500. **Researching** firms' and stakeholders' responses to this disaster, we **identified** an alternative solution to addressing systemic problems: the creation of market-protected spaces (MPS) through binding agreements. MPS suspend the dominance of the competitive market logic on selected issues such as building safety or living wages by creating a set of rules which bind leading firms in a given industry, thereby taking labour or environmental standards out of competition. A prime example of an MPS is the Bangladesh Accord on Fire and Building Safety (**Accord**), while the living wage initiative Action, Collaboration, Transformation (**ACT**) attempts to replicate the model in relation to wages. Both initiatives are sectoral, binding agreements forged by leading multinationals together with global union federations. MPS rely firm collective action – over 200 fashion brands and retailers **signed** the Accord, for instance – as well as independent co-signatories to ensure that the agreements are binding rather than voluntary – here represented by the global union federations **IndustriALL** and **UNI Global**.

Although our conceptualisation of MPS is new, taking issues “out of competition” has a long tradition at national level, for example in industry collective bargaining which prevents firms undercutting agreed terms and conditions. As German scholar Wolfgang Streeck famously argued, such arrangements placed “**beneficial constraints**” on firms, allowing them to invest in human capital, leading to high-skilled, high-productivity outcomes. At transnational level, however, MPS are a new development since the expansion of global production has not been matched by the emergence of international **regulation**. The Accord showed the potential of MPS to solve systemic problems in global supply chains.

How did the Accord work? Within Bangladesh, signatory firms, which constituted a substantial chunk of the European market, were bound to purchase only from Accord-certified factories and were also required to maintain sourcing volumes from Bangladesh for the duration of the agreement. This took building safety out of competition because signatories to the agreement could not undercut each other on safety by purchasing from factories with lower costs resulting from lax safety standards. Accord-certified factories could also not compete with each

other through savings on safety as all were held to the same standard. In this way, the Accord enabled committed collaboration which ensured suppliers remedied longstanding safety problems. Brands' commitment to maintain order volumes from Accord-approved suppliers unleashed suppliers' investment in safety improvements. As a CSR manager we interviewed explained: "I think the investment that's happened, because of the Accord, into Bangladesh has made it much more stable, viable and it's raised not only the standards of compliance but quality and everything else. People have had to invest in their factories. But again, only because the Accord, it was the first time it made brands sign a five-year commitment." **Scholars** and **practitioners** alike confirm that the Accord was, in the words of one of the trade unionists we interviewed, a "huge leap" forward for Bangladesh. Remedying decades of failure regarding fire and building hazards in the Bangladesh garment industry, the Accord demonstrates the potential for MPS to address problems that remain intractable within a market logic.

MPS thus meet the current need for what Christiana Figueres, the former head of the **UN Climate Change Convention** that achieved the 2015 **Paris agreement**, calls "**radical collaboration**." She **acknowledges** that it is "hard. It requires us to adopt a different mindset; it requires us to listen to, share and work with people who we may have previously seen as competitors." Participants in the Accord likewise noted that collaboration was arduous, but equally stressed that the rewards went beyond anything their industry had achieved previously. As one CSR manager we interviewed put it, the work of the Accord had been "absolutely immense, absolutely just brilliant.... Everyone's so joined up and the industry has now seen and felt the benefit of actually doing this work." Notably, garment industry actors have also signed the Fashion Industry **Charter** for Climate Action. Although not (yet?) a binding agreement, the idea of collaboration instead of competition to tackle grand challenges seems to have taken hold in this industry.

In the case of the Accord, firms developed a binding collective response only after the "**focusing event**" of Rana Plaza. Sadly, with extreme weather events becoming increasingly common and ferocious, we are likely to see plenty of disasters with the potential to catalyse action. The silver lining of this fearful cloud is that it may push firms to move beyond greenwashing into committed collaboration.



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