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Role of Corporations in Addressing Climate Change

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Synonyms

Climate change; Climate resilience; Leadership; Management; Sustainability

Definition

Corporate role in addressing climate change threats and climate resilience is a result of several direct and indirect factors, including but not limited to the economic and financial interests, risk management, branding, and ethical responsibility and responsiveness to the societal demands and global changes.

Introduction: Climate Change and Corporate World

Climate change is a proven scientific fact, documented through thousands of peer-reviewed, meticulously compiled studies and reports, indicating threats to the world (Fletcher 2013; IPCC 2014; Urban 2015). Climate change is a threat to the global economy and the current way of life, with a potential to affect all facets of life, from social to the economic fabrics of the global society. Businesses as a core component of the social fabric, and businesswomen and businessmen play an integral role in being engaged on issues potentially impacting their corporate bottom lines. While a smaller number of corporations are significant contributors to global warming and GHG emissions, companies in effect contribute to pollution, which leads to global warming and the ensuing climate change impact (Griffin 2017; Riley 2017; Starr 2016).

However, companies are actively engaged in pursuing actions to stem the negative impact of climate change and threats from extreme weather-related events, in knowing the risk of failed cities, communities, and ultimately infrastructure on their operations. The consequences for corporations may include supply change and transportation disruptions, higher insurance premiums for doing business in certain parts of the world, the negative impact on human resources, and changes in energy supply. Each industry sector from tourism to logistics will be negatively and adversely affected. Linnenluecke and Griffiths (2010) documented the risks of climate change and extreme weather events to business organizations and suggested the strategies for dealing with those beyond traditional adaptation approaches.

Corporations may be able to quickly adjust and seek opportunities for long-term solutions

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through adaptive strategies tied directly or indirectly to climate change risks and mitigation. On a large scale, problems facing corporations and cities are related to the opportunities and woes that exist with the global economy. The interconnectedness between the global interests that corporate leaders have in ensuring profit for their organizations and social and environmental responsibilities was entirely on display after the current United States administration's decision to withdraw from Paris Climate Accord (Bendix 2017; McGregor 2017; Victor 2017; We're Still In, 2017).

History of Corporate Societal Responsibility

The idea of climate resilience is relatively new. However, the concepts of corporate social responsibility and sustainability have been in existence for over several decades. In a classic work, Schumacher (1973/2010) addressed the treatment of resources in the world in the context of economics, accurately predicting the unsustainability of using finite resources by industrial society, suggesting and asking "whether the earth's resources are likely to be adequate for the further development of an industrial system that consumes so much and accomplishes so little" (p. 127).

Building on the United Nations World Commission on Environment and Development's (1987) sustainable development framework, Elkington (1997) defined the Triple Bottom Line (TBL) setting up a new paradigm for viewing business activities beyond the profit-making bottom line. Later Elkington (2012) wrote about the new boundaries deployed by innovators and entrepreneurs in seeking to discover ways to have zero impact from organizational actions on the environment and the society, and pushing organizations to break the new "sustainability barrier." Moreover, in making the business case for sustainability for companies and corporations, Werbach (2009) noted "the global economy, our environment and political institutions are undergoing rapid structural change" (188).

Root Cause of Environmental Instability

A primary type of energy is derived from fossil fuels (oil and coal), causing the existence of price unpredictability and most directly contributing to climate change on an unfrequented scale. The abundance of traditional sources of energy, such as coal and oil, led to the dependency of use of those sources of energy. Oil, coal, and to a certain extent natural gas have been the primary drivers of electricity production and energy consumption in the modern world, and one of the most prominent polluting elements in the history of humankind. Additional pressure to all systems will come from the inevitability of climate change in a way that will impact entire energy systems. The era of climate change brings a set of challenges and responsibilities beyond the traditional way of doing business. Consequences of this new era of climate are unpredictable, and unpredictability carries a certain amount of risk for which every organization and systems could either prepare or ignore it at its peril.

Ethical Prerogative for Corporate Societal Responsibility

Corporations with strong ethical missions embed the policies to promote sustainability and resilience despite changes in stakeholders and managerial leadership. With such prerogative, Williams (2011) and Bohmholdt (2014) explained the Sustainable Return on Investment (SROI) and benefits of calculating the bottom line for companies' sake beyond the profit-making. For corporations professing sustainability and climate resilience as their core values, incorporating these tools becomes a norm, using for example environmental and social cost of fossil fuels in calculating the overall return on investment from sustainable energy projects.

Corporations reap social benefits of protecting the environment, practicing good social values, while managing fiscal and economic development expectations. Saul (2011), for example, focused attention to turning social change into a business strategy. There are arguments that organizations, mainly corporations, use the sustainability bottom line to break ranks with the accepted views of businesses and to advocate for societal issues such as climate change and protection of the environment. With the new climate resilience barrier, new strategies are being deployed. Bendell and Kearnis (2005) shared examples of companies using their economic and business clout to pursue political agenda and to advocate for various sustainability-related issues including the climate change impacting businesses and the rest of the society.

Social Entrepreneurship

In addition to the political dimension of the corporate social responsibility and business sustainability efforts, an aspect of corporate role in addressing climate change is expressed through the concept of social entrepreneurship, covered at length by Bornstein (2004), Bravo (2016), and Doherty et al. (2014). A notable shift and change is the trend of corporations and organizations moving from the profit-only paradigm and investing more in socially and environmentally sustainable effort. Sustainability is a driving force behind the underlining paradigm, dictating more responsive and responsible governance and management of resources. Soyka (2012) viewed sustainability as "a value set, philosophy, and approach" used by organizations for the "the betterment of society" (p. 17). Corporations adapting to the changing needs of the societies find themselves to be more financially and economically successful, and socially responsive. Furthermore, those corporations are better equipped to respond to crises and recover from shocks.

Strategies to Mitigate the Greenhouse Gas Emissions by Corporations

Corporations operate in a dynamic and a highly competitive global marketplace, and are unpredictability associated with business cycles and market fluctuations. To compete more forcefully in the global marketplace companies must steadily reduce and mitigate risks and exposure to risk. Both the increased globalization and climate change exponentially raise the exposure to various risks and measureable impacts on corporate operations, in what O'Brien and Leichenko (2000) described as double exposure. Some examples of strategies deployed by corporations to reduce the impact of Green House Gas emissions include the purchase and production of renewable energy, with specific renewable energy and energy efficiency targets. In the United States alone, the EPA's list of Fortune 500 partners shows that 82 corporations committed to deploying renewable energy sources in their operations use approximately 21 billion kilowatt-hours (kWh) of renewables annually, with a significant reduction in the negative environmental footprint from energy use (EPA 2017). Similar to local governments and their commitment to reducing GHG emissions in operations, corporations need to measure and report the overall results of their commitment to reducing the use of traditional sources of energy in operations.

Other popular approaches and strategies increasingly used by businesses to reduce the negative impact of waste on the environment are the concepts of Cradle to Grave (C2G) and Cradle to Cradle (C2C) concepts. The intent is to view products through the lens of either producing less waste or designing products that can be re-entered into the market through recycling processes. In addition to positive branding from selling products made with less waste or from recycled materials, both processes have a positive impact on the environment and reduce the cost of operations. To better understand the impacts of a product from the time of initial production through the end of the lifecycle, corporations can reduce the negative environmental impact from resources use, educate and encourage consumers how to treat and dispose of the product, and make their operations more resilient to changes.

Conclusion

Corporations have a role and responsibility to their customers, stakeholders, employees, and the society as a whole to deal with the threats of the changing climate and extreme weather. As a result of several direct and indirect factors, including but not limited to the economic and financial interests, risk management, branding, and ethical responsibility and responsiveness to the societal demands and global changes, corporations deploy strategies to mitigate and adapt to the climate change. The scope of corporate social responsibilities continually evolves, reflecting the changing needs and interests of the society and communities where businesses operate. Beyond the financial interest in mitigating risks of climate change, and reducing the negative environmental impacts, businesses are interested in increasing positive image of the company's products and services brands they produce and provide.

Cross-References

▶ Climate Change
▶ Climate Resilience
▶ Corporations
▶ Economics
▶ Management
▶ Organizations
▶ Sustainability

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