



Commentary

## Politics and Better Business

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Old certainties about business and politics are being threatened. Recently traditionally business-friendly right-wing parties have taken a skeptical turn towards business. In the UK when told Brexit was bad for business the Conservative Prime-Minister at the time, Boris Johnson, allegedly replied (in colorful language) that he didn't care what business thought ([BBC News, 2018](#)). In the US, business-friendly Committed Conservatives (15% of Republican voters) are outnumbered by Flag and Faith Conservatives and the Populist Right (both 23%). The latter are even more likely than the average American to say banks and large corporations have a negative impact on the country ([Pew Research Center, 2021](#)). Mitch McConnell, Republican leader in the Senate, even felt comfortable warning business away from politics.

*"You know, Republicans drink Coca-Cola, too," McConnell said Tuesday. "And we fly. And we like baseball. .... So my warning, if you will, to corporate America is to stay out of politics."*

*(Smith & Thorp, 2021)*

Meanwhile some business leaders have embraced issues traditionally favored by those on the left. The Business Roundtable advocated for stakeholder capitalism, moving away from a sole focus on shareholder interests ([Business Roundtable, 2019](#)). Better business

advocates welcomed the Business Roundtable's philosophical change ([B The Change, 2019](#)) more so because it appears part of a trend. Now 96% of the S&P 500 and 81% of the Russell 1000 produce reports on their social and environmental impact ([Governance and Accountability Institute Inc, 2022](#)). Impact reporting can be challenging ([Berg et al., 2022](#)) yet such efforts are being facilitated by traditional business insiders, e.g., consultants and accountants ([EY, 2023](#)). Change has also translated into legislative action which inevitably means contact with political agendas.

What then is the relationship between business and politics and how might this impact better business? How can sustainable marketing researchers investigate the field as well as advise managers and policy makers? This commentary looks at three major areas, the purpose of business, changes to legislation and oversight, and controversies related to better business, to see how better business and politics interact.

### 1. The Purpose of Business, Better Business, and B Corp

There are different ways to consider a firm's purpose. For example, a firm might be focused on competence, culture, or a cause ([Knowles et al., 2022](#)). If a firm is competence focused this might be an attempt to maximize shareholder returns ([Friedman, 1970](#)). A culture focused firm might consider its employees welfare believing that a positive culture is an end in its own



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right or as a path to maximize shareholder returns. Better business is sustainable and sustainable business implies a concern for stakeholders (Bhattacharya, 2010; Peterson, 2022). This means firms taking as a starting point that business has a duty to a range of stakeholders beyond company insiders, e.g., shareholders and employees. Better business considers stakeholders (Freeman et al., 2004) in order to improve their worlds.

### *1.1. Better Business Cannot Be Divorced From Social Issues*

Although the causes espoused may vary significantly between them, better businesses must, by their nature, engage with wider social issues. To tackle social disadvantages or environmental destruction it seems necessary to have an opinion on the root causes of the disadvantage or destruction. Better business, cause-based businesses, and social involvement are hard to disentangle. As better business grows in significance it will inevitably impact more on major social issues and politics.

Although better businesses will have a view on many major issues of the day this is not the same as the interest that any dispassionate, socially-engaged citizen might have. Whatever the legal convenience might be of corporate personhood, a business is not the same as a person. Not least an organization represents the efforts and inputs of a number of different individuals. Furthermore, a business must justify its existence in a way that people do not. A better business must be successful to continue, and this will require the support of many people, including employees and customers.

A better business is still a business. This means it is not dispassionate about how the rules of society are constructed. There will be a commercial interest in influencing the way all business is done which creates an inevitable point of connection with politics.

- Winston Churchill, later a conservative icon, made the case for a minimum wage. He argued that good businesses would be undercut if no floor was placed on wages (Churchill, 1909). A better business, might aim to pay living wages and so would have a commercial interest in not being undercut

by those willing to pay their workers unsustainable wages.

- Better businesses often seek to limit their emissions. Carbon pricing, as adopted by many countries (Ritchie & Rosado, 2022), improves the competitiveness of better businesses given these have often managed to lower their carbon emissions.
- A better business' success, given it seeks to positively impact the world, can be significantly impacted by governmental incentives. For example, the US Inflation Reduction Act had a significant, but targeted, impact on electric vehicle makers (Wayland, 2022).
- Brands matter more to better businesses and politics can impact brands. Ben and Jerry's attempted to sue its parent company Unilever in a dispute over distribution rights. Ben and Jerry's wanted to avoid the appearance that it was endorsing Israeli settlement of the West Bank which the United Nations has opposed (Kershner, 2023). The ice-cream maker saw sales in the West Bank (Naidu & DiNapoli, 2022) as a risk to the company's purpose, which is central to Ben & Jerry's brand. When looking at better businesses it can be hard to disentangle political stances from vital business decisions.

Returning to Mitch McConnell's warning about business political engagement, the assertion that business should stay out of politics for commercial reasons may be good financial advice for some business, some of the time. For example, this might be the case when more consumers are alienated by an overt political stance compared to the number attracted by the stance. There are also likely times when even a better business must concentrate on its internal operations to generate the funds to sustain itself in the commercial sense.

Still, pleas to universally disentangle politics and business surely miss the point. Any firm, whatever its purpose, might see a commercial opportunity in taking a political stand. Marketing has differentiation at its heart, and one way that firms can differentiate is through politics. For example, Fox News has

generated significant profits while leaning into US politics (Meek, 2021). A politically aligned brand can theoretically increase profits for itself through building a stronger brand and dampening consumers' willingness to switch (Hotblino, 1929). This should increase willingness to pay and retention while reducing marketing (acquisition and retention) expense.

The point is that better business needs to consider its political position, but all firms should do this to some extent or another. Sometimes engaging in politics can be beneficial to a business' aims – be that profits, wider purpose, or a combination of both – sometimes such engagement is not beneficial. This creates a big question and reduces the value of another often asked question. Researchers should not hope to 'prove' whether political engagement works, or does not work. They will likely find examples of both propositions depending upon where they look. Instead, those seeking to show that political engagement pays, or does not, will need to delve deeply into the context investigated. The research challenge might be said to be finding when political engagement works, not arguing whether it will or will not.

### 1.2. B Corp: A Non-partisan Purpose Driven Firm

One way to signal that the firm has a purpose beyond simply making money for its owners is to become a certified B Corp (Honeyman & Jana, 2019; Marquis, 2020). This involves scoring at least 80 total on the B Impact Assessment administered by the not-for-profit, B Lab. Although changes are planned (B Lab Global, 2022), a firm's impact is, at time of writing, assessed across five areas of stakeholder related performance, (Governance, Workers, Community, Environment, and Customers) (B Lab, 2023a). A B Corp is thus a hybrid venture, profits matter but they aren't all that matters (Gehman & Grimes, 2017). After certification, a firm needs to be re-certified every three years. This is to ensure that the firm is still exhibiting the same focus on a wider range of stakeholders. Certification is not a trivial activity and may be a temporary drag on growth. This suggests that managers undergoing certification see it as the right thing to do (Parker et al., 2019). Done correctly though, it is easy to imagine how effective communication of a firm's social and environ-

mental stances could benefit a brand (Bharadwaj et al., 2022). B Corp certification could be an effective signal of better business, although no certification could ever please all. Criticisms have been made that B Corp certification does not go far enough (The SJ Team, 2022) or that it goes too far, it is 'woke' and having a chilling effect on free speech (Young, 2023).

There are a rising number of B Corp and the administrative burdens do not stop most from recertifying (Kim, 2021). Despite success, the movement can still operate somewhat under the radar (Gehman & Grimes, 2017). This leads to a fundamental challenge to the movement. The B Corp community needs to expand to have a greater positive influence on society, but the more the movement expands, the more it is likely to face challenges balancing the needs and desires of different stakeholders. It is simply easier to get a smaller, rather than a larger, number of people to agree.

B Corps want to impact the wider world so a major challenge is the movement's approach to politics. Though engaged with greater society, and in this sense, they could be said to be 'political', B Corp aim to be non-partisan.

*"We are political, but strive to be non-partisan: We see politics as the way to promote and qualify relevant debates, while remaining vigilant for democratic institutions."*

*(Fukayama, 2022, bullet 5)*

Such a stance should allow the movement to appeal more broadly and not be seen as involved in party politics. Yet, this inevitably leads to challenges as well as benefits. For example, in the US and other countries, there is a partisan split in attitudes towards the importance of certain environmental issues, most obviously climate change (Funk & Hefferon, 2019). The B Corp movement thus has the challenge of setting better business standards on environmental issues. It has to set standards while not aligning with any specific political party. However, the standards are likely to appeal to members of some parties more than others.

Finding a way to balance the views of those who might want to take strong, potentially exclusionary, stands on controversial issues with the need to be a broad tent creates tension. In any group aiming to affect positive change, there is always likely to be a division between those with differing ideas of what can practically be achieved in any given timescale.

One solution would be to have different, better business certifications. There are a range of different certificates currently available, especially by sector. A range of certifications that differ in terms of focus and stringency allows firms to progress at their own pace. Yet, this is in many ways an unsatisfactory solution. Something is lost by not having a catch all grouping. It is harder to explain what better business is if there are many different versions of better business. It is confusing for consumers who genuinely want to reward better businesses but don't know what the various certifications mean. At the extreme each firm could have its own, not especially credible, certification. This is especially worrying as consumers already don't fully understand better business certifications. While there is some consumer awareness of B Corp, the certification is not a household name (B Lab, 2022; Gehman & Grimes, 2017). Helping consumers become aware of the meaning of certifications is a major issue. For example, while many UK consumers see palm oil as environmentally unfriendly, few recognized the Roundtable on Sustainable Palm Oil (RSPO) ecolabel (Ostfeld et al., 2019).

To help create critical mass B Corp certification aims to be a broad certification and cross industry barriers. At best, this will help drive awareness and simplify consumer decision-making. Thus, B Corp certification experiences the tension between the aim of being aggressive in growth, versus having a small group who agree more heartily. The certification of Nespresso, Nestle's provider of coffee capsules, caused criticism that B Lab's standards for B Corp certification were too easy (Toussaint, 2022). Nespresso can help the B Corp movement significantly increase its reach, but some worry that certifying a mainstream pod-based coffee brand risks losing what makes the movement meaningfully better.

Recognizing the challenge of differing views on the world regarding what "better" really means, the B Corp movement has a Standard's Advisory Council. The council helps formulate policy on controversial issues (B Lab, 2023b). This council is also tasked with determining whether a given industry's global impact is so negative that its member companies are ineligible to become B Corps. For example, companies are ineligible for B Corp status if there is a significant risk their products will be used in human rights violations. Energy companies also have significant extra hurdles to clear before they can become a B Corp. Such controversial issues relate directly to potential political hot button issues.

### *1.3. Research Questions Related To the Purpose of Business*

There are a number of research questions that are relevant to sustainable marketing researchers and company managers attempting to understand better business practices.

- What effects do a clear purpose driven stance have on consumer retention and acquisition and how do the impacts differ by industry type
- What types of firms benefit most from political involvement and how does political affiliation impact how better business is seen?
- What do consumers think of firms that seek to do well for both shareholders and other stakeholders? While research has sought to look at the value of adopting a stakeholder viewpoint there remains opportunity to extend insight.
- What frameworks from marketing generally, or sustainable marketing in particular, can be used to understand the nexus between politics and sustainable marketing?
- Do consumers see a firm identifying as a better business to be making an explicitly political statement and, if so, what statement is that? How could firms avoid this? Should they?
- How can firms overcome cynicism or any feeling that the pursuit of profit is not appropriate for organizations that also seek to have a wider positive social impact?
- How specific should the rules be for better busi-

ness certification?

- There is room for further research looking at whether, and if so how, the diverse range of certifications are hurting the movement by confusing the public.
- What sectors are not seen by the public as being worthy of better business certification? Could a for-profit prison be a better business if run with a genuine care for all its stakeholders?

## 2. Legislative Changes

There are good reasons for governments to want to favor better business over other types of business. A business that pays its workers more reduces the welfare cost to government. A business that generates fewer negative environmental externalities generates fewer problems for government, as the problem-solver of last resort in any location, to clean up. Part of being a better business is paying an appropriate level of taxes. Governments like taxes to be paid. Indeed, in recent years we have seen a number of legislative initiatives designed to facilitate better business. Although some laws have been criticized as too weak, evidence suggests that legislative action is helping to drive the movement (Lucas et al., 2022).

### 2.1. Benefit Corporations, B Corp and Legislative Change

The possibility for better business to legally register as a benefit corporation generated the need for B Lab to make one of its biggest decisions. This was regarding Etsy, a market place for unique products. As a private company Etsy was a B Corp and a flag bearer for the better business movement.

B Lab advised that all B Corps had to make a formal commitment to better business, i.e., by registering as a benefit corporation where that was possible within the laws of their home jurisdiction. Delaware, Etsy's home, allowed for public benefit corporations. So B Lab insisted that after Etsy went public, it would become a benefit corporation and so enshrine Etsy's commitment to stakeholder management in the company's legal registration (Hiller, 2013). Yet, Etsy's managers were worried this would scare off investors from the IPO. A clash was on the horizon. B Lab's rules meant that Etsy would have had to become a benefit

corporation by the time of its first recertification after going public. Despite Etsy's importance to the movement, B Lab was unwilling to compromise on this issue. A deal could not be made. Etsy, upon going public, chose a conventional company registration and stuck with it, deciding that it would not become a benefit corporation. As such, Etsy, a firm heavily linked with the movement, ceased being a B Corp (Silverman, 2017).

Researchers can seek to understand at what point the desire to bring in more B Corporations conflicts with the desire to create a meaningful certification? B Lab obviously thought it was better to let Etsy go than dilute their certification process. This is a general tension in any movement between depth and reach. Any movement needs to get the balance right and what the right balance, a priori, isn't always clear. How do consumers see this balance? Did the lack of B Corp status hurt Etsy? It certainly was not fatal to the firm given Etsy has generally performed well as a public company. How much did the loss of Etsy put back the B Corp movement in the eyes of customers? At a minimum, the B Corp movement has an example to suggest that certification is a meaningful hurdle and yet, by following its own rules, B Corp lost a major potential source of publicity for the movement.

### 2.2. Better Business in Europe and Article 25

Europe has been a very significant area for the adoption of better business ideas. In the UK, the Better Business Act is a campaign to update the Companies Act. Specially, the campaign wants to alter the somewhat ambiguous text of section 172. The intention is to move UK business law towards stakeholder management principles. The bold proposed changes are intended to align the interest of firms with society and to empower directors to use their judgment rather than be constrained by a potential legal requirement to maximize shareholder returns. The change would also be reflected in the ways companies report and, crucially, become the default for UK business. If passed, all UK business would fall, at least somewhat, under the umbrella of better business.

The campaign has launched multiple lobbying efforts. Perhaps most notable are attempts to appeal across the political spectrum from the Greens to the Conser-

vatives. Members of the Conservative party often see themselves as connected to traditional business interests (Conservatives, 2023). The focus on the Conservatives is noticeable with materials being targeted at them (Better Business Act, 2021). The initiative has even received explicit support from members of that party (Carter, 2021). Partly the Better Business Act's attempt to woo the Conservatives is of necessity given that the Conservatives are in government. Partly, however, one can imagine that B Lab UK, which initiated the campaign, wanted to gain legitimacy as a non-partisan campaign. What is gained and what lost by the non-partisan focus?

Turning to the EU, there are major changes on the way for companies there. The proposed EU directive on Corporate Sustainability Due Diligence ('CSDD') will clarify the role of due diligence around sustainability issues (European Commission, 2022). Most notably, article 25 proposed duties of directors that would mandate the need to consider stakeholders in the company beyond the shareholders. This is a significant change towards stakeholder capitalism and has been welcomed by some, but by no means all, commentators (ECGI, 2022; PRI, 2023).

CSRD (the corporate sustainability reporting directive) creates new reporting requirements for non-financial items (European Commission, 2023). This is based upon the concept of double materiality. In this context, single materiality sustainability-related risks are those that could impact the financial well-being of shareholders, while double materiality risks are wider, focusing on the impact felt by planet and society (Deloitte, 2022). Indeed, the reporting requirements draw heavily on stakeholder principles, the need for companies to consider the interests of stakeholders beyond their shareholders.

### 2.3. Research Questions Related To Legislation and Better Business

There are a number of questions that could benefit from further examination in the area of company legislation and better business:

- What is the benefit and challenges of formal registration as a benefit corporation and how does this

vary by jurisdiction?

- How many of the benefits of legally registering as a benefit corporation directly relate to marketing, e.g., brand equity boosts, and how many benefits should not be seen as marketing related?
- Does the requirement to be a benefit corporation (where legally available) unduly limit the reach of the B Corp movement or is it a vital part of signaling a serious commitment to better business? Does the fact that B Lab has stood firm help the credibility of B Corp registration with consumers?
- If better business becomes a default position in a jurisdiction – e.g., if the Better Business Act passes in the UK – what role is there for certification as an 'even better business'?
- How much do consumers and voters understand, and reward those, who seek to create a better business environment?
- How can marketers help drive cradle to cradle thinking in business?

### 3. Controversies

Finally, it is worth noting that better business ideas can be controversial. It is likely that some of the controversy is generated by those who do not want to engage with the ideas of the better business movement. In some ways the motives of critics don't necessarily matter. As the movement grows, it is likely to bump more and more into hot button issues and will face push back whether this is motivated by principle or political calculus. How the movement tackles these is likely to impact its success.

#### 3.1. ESG

There has been considerable research efforts to establish the profitability of ESG and socially responsible investment (Friede et al., 2015; Whelan et al., 2021). Marketers do not necessarily subscribe to perfect market efficiency. As such, marketers would not reject out of hand the possibility that an investment strategy focused on ESG (Environmental, Social, and Governance) ratings or a set of wider social benefits could lead to greater profitability. In an imperfect market, there is no necessary conflict between doing good and doing well. Consider, for example, that without

perfect knowledge, choosing from a subset of possible investments (e.g., only socially responsible mutual funds) could be more profitable than choosing from the complete set if focusing on the subset improves decision making. This could happen if socially responsible investments pay off most in the long-term, but are currently undervalued by markets. For instance, because of reliance on financial accounting measures which encourage short-term focus (Mizik, 2010).

Furthermore, for many, including all those who subscribe to a stakeholder management approach, decisions should include more than just financial returns to shareholders. Alex Edmans, a finance scholar, urges investors to think more broadly about investments. They should consider whether the firms they buy into create net positive value for society, whether they focus on doing what the firm can do especially well to improve the world, and whether the actions taken have relevance to that specific business (Edmans, 2021).

The politics around considering ESG have already been discussed by CB Bhattacharya in the *Journal of Sustainable Marketing* (Bhattacharya, 2022). The controversy about ESG issues can sometimes be hard to understand. ESG is often said to relate to material issues, which are those that impact shareholders. It would be odd if managers didn't consider factors, be they ESG or anything else, that could impact shareholders.

Despite ESG being information that could potentially help investors, and so be consistent with standard investment ideas, many politicians have reacted to ESG investing. Indeed, President Joe Biden recently vetoed a bill, which had passed the US House and Senate, that aimed to prevent consideration of ESG issues (Gardner, 2023). Republican controlled states such as Florida (Florida Governor's Staff, 2023) have also pushed back on ESG investing. A relevant point being that ESG investing considers risks and investors should consider risk wherever it comes from. Telling firms to not consider ESG risks is equivalent to saying they should restrict the information use in their choice. There are reasons to believe this would be a drag on the investment performance and hurt the shareholders it purports to support (The Economist, 2023).

The need to consider ESG risk can be seen as somewhat independent of one's assessment of how important individual investors and consumers think the risk is. For example, while most (72%) people in the US believe that global warming is happening, a consistent minority do not (Marlon et al., 2022). Even this minority would be advised to consider ESG risks. This is because markets are likely to be impacted by generally shared concerns about climate change. Major polluters risk facing legislative action that will force GHG emission reduction regardless of whether individual investors believe that the legislative action is appropriate.

Part of the problem comes from definitions. Materiality relates to risk to the financial well-being of the shareholder. Some confusion arises from the presence of the connected idea of double materiality (Raith, 2023). Double materiality considers the interests of a wider array of stakeholders. It is easy to see how this confusion might happen and it isn't all the fault of the populist politicians. For example, BlackRock, a bugbear to many Republican lawmakers (Republican Attorney Generals, 2022), seeks to explain its investment strategy in terms of risks to the shareholder.

“Our investment conviction is that climate risk is investment risk, and that integrating climate and sustainability considerations into investment processes can help investors build more resilient portfolios and achieve better long-term, risk-adjusted returns.”

(Blackrock, 2023)

Yet Blackrock's discussion of the Double Bottom Line, echoes double materiality (Blackrock, 2023). Some might conclude that risk to the returns of the investor are not the sole consideration.

### 3.2. DEI

One of the most significant clashes between business focused on addressing social issues in addition to traditional perspectives has been in the area of creating a fairer workspace. In the U.S., this is often called DEI (diversity, equity, and inclusion). Many companies

have often embraced policies to assist those traditionally facing disadvantages in the workspace. This has come at some political cost with companies being accused of Woke Capitalism (Edgecliffe-Johnson, 2022; Ramaswamy, 2021).

Some will argue that a concern for DEI issues is just the right thing to do, others that DEI initiatives are financially smart. How can the former people effectively make their moral case? How can the latter make the financial case for DEI? Part of the problem for all better business, is that we do not have good metrics to show the long-term success of business. Sales contain a partial view, missing crucial information about costs. Accounting-profit-based measures are notoriously bad at capturing long-term success. Financial-market-based measures require belief in (stronger or weaker) forms of market efficiency. Researchers can engage with performance measurement and seek to be able to better demonstrate the commercial value of various better business strategies.

### 3.3. Research Questions Related To Political Controversies and Better Business

There are a number of research questions that relate to political controversial issues. We can divide these into sustainable marketing and wider sustainable management issues.

#### 3.3.1. Sustainable Marketing

- How do we show the success of better business for shareholders so as to justify the ROI of such work and show that doing good can be reconciled with doing well?
- To this end, given that financial accounting measures tend to be short-term focused how can we develop new metrics? If these metrics use projections, such as customer lifetime value, how can we build credibility of these?
- What role do marketers and management accountants have working together to develop new ways of judging the success of better business?
- How can a better business promote the causes it supports in a political environment that might be hostile?
- How can business communicate controversial issues in such a way as to gain support?

- How can firms use any positive employee relations policies – e.g., paying living wages – in their communications without being too vulnerable to charges of hypocrisy if they do not agree to all demands of labor?
- What role do firms have in seeking to address government decisions that make sustainable behavior harder? For example, if a firm provides materials that can be re-used/recycled what can it be expected to do to ensure facilities are available in the jurisdiction and that the environmentally positive actions actually happens?
- What role do marketers have in advocating for government action to drive sustainability? E.g., advocating for carbon pricing.

#### 3.3.2. Sustainable Management

- There is room for work to add further practical details to ideas such as a triple bottom line view of corporate performance.
- How can better businesses be good workplaces for employees who do not agree with every decision of a cause-based company on controversial issues?
- What should the duties of a director be?
- Should a concern for stakeholders be mandated for all directors or should this be for a select group of better businesses? What are the advantages and disadvantages of mandating a stakeholder perspective?

## 4. Conclusion

Better business is at its heart about social change to create a fairer and more environmentally sustainable world. This inevitably will butt up against politics. Politicians will have their own ideas on how business should be behaving and it seems increasingly clear that old allies are no longer willing to let business have a free hand to behave as it sees fit. How can sustainable marketers advance the world by helping to build a large tent that creates momentum towards positive change while not diluting the benefits of its actions to the point where significant change is not achieved?

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LUMINOUS  
INSIGHTS

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