

The uneven rise of corporate environmentalism in global business

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Abstract: This essay examines the uneven rise of corporate environmentalism in global business. It argues that corporate environmentalism has developed less from a moral transformation within firms than from regulation, capital-market pressure and legitimacy demands that have made environmental inaction more costly. These pressures have pushed environmental issues into corporate governance, strategic planning and investment decisions. However, this development remains selective and contested. For leading multinational firms, green technologies and advanced compliance systems can become sources of competitive advantage. For less capable firms, the same environmental requirements may appear mainly as cost pressures. The essay also shows that sustainability reporting and net-zero commitments do not always lead to deep operational change, leaving space for greenwashing and symbolic compliance. In global value chains, environmental harm may also be shifted to places with weaker regulation. The German case further illustrates the difficult trade-offs between decarbonisation, affordability and competitiveness.

1. Introduction

In the 1960s, environmental issues were widely treated by firms as secondary costs and regulatory burdens rather than as core business concerns. By 2025, however, the rise of corporate environmentalism is not just a change in governance language; it also alters the fundamental logic by which companies compete for capital, respond to regulations, and organize production within the global business system. This shift should not be understood primarily as a moral awakening within the private sector. Rather, corporate environmentalism rose because regulation, capital-market discipline and legitimacy pressures progressively increased the cost of environmental inaction [1]. The Paris Agreement and the EU's Corporate Sustainability Reporting Directive illustrate how ecological performance became more visible, comparable and auditable, pushing environmental accountability further into board oversight and strategic planning [2,3].

Yet the rise of corporate environmentalism has been neither uniform nor frictionless. For some multinational firms, green technologies, low-carbon processes and advanced compliance systems can be turned into firm-specific advantages in international competition [4]. But many firms adopt

environmental commitments strategically rather than normatively, creating space for decoupling between formal reporting and actual production practice [5]. At the same time, multinational firms may displace carbon-intensive activities to locations marked by institutional voids, shifting environmental harm geographically rather than reducing it globally [6]. The EU's 2025 sustainability-policy deferrals further suggest that environmental governance remains shaped by economic and political trade-offs rather than by a simple linear logic of progressive greening [7].

This essay argues that corporate environmentalism rose because regulation, market incentives and legitimacy pressures increased the cost of environmental inaction, but that its development has remained uneven, selective and politically contested.

2. Institutional pressure

Regulatory institutionalisation, rather than any simple moral awakening on the part of firms, was a major force in bringing environmental concerns into corporate governance. Hoffman argues that corporate environmentalism emerged through the gradual institutionalisation of political, social and market pressures, not through an autonomous shift in corporate values alone[1]. This helps explain why environmental issues moved beyond factory-level compliance and into board oversight. As environmental performance became more visible, comparable and auditable, it began to affect financing conditions, market access, supply-chain stability and the reliability of cross-border operations. In institutional terms, this reflects what DiMaggio and Powell describe as coercive isomorphism: firms facing stronger regulatory expectations increasingly adopted similar systems of disclosure, auditing and risk management [8]. For multinational firms, such pressure was especially significant because they operated across multiple jurisdictions and depended on cross-border capital. Delmas and Toffel add an important qualification here: even when firms face similar external demands, their responses may still differ because internal organisational structures shape how those pressures are interpreted and translated into practice[9]. The Paris Agreement reinforced this process by embedding states in an ongoing cycle of climate commitment and review, thereby strengthening firms' expectations of tighter long-term regulation [2].

At the EU level, the CSRD translated these expectations into more standardised, comparable and auditable corporate reporting obligations [3]. Yet this process was not linear. The EU's 2025 Omnibus simplification agenda and related "stop-the-clock" delay mechanism showed that sustainability regulation remained open to recalibration when compliance costs and competitiveness concerns became politically salient [7,10]. Institutional pressure therefore helps explain why firms increasingly had to govern environmental issues strategically, but it also shows that corporate environmentalism developed within persistent political-economic constraints.

Regulation alone does not explain the full shift, since environmental performance increasingly came to shape firms' access to capital, market opportunities and competitive positioning. From this point of view, corporate environmentalism is not a one-way regulatory strengthening process, but more like a governance field jointly shaped by corporate strategy and political and economic reality. For multinational firms, environmental compliance is not only an external constraint, but also a competitive issue that can be reinterpreted and negotiated. Firms do not simply respond to the rules, but also try to affect the speed of implementation of rules and cost distribution through discussions such as competitiveness, investment and employment.

3. Market Incentives, Investor Discipline and Selective Ownership Advantages

Market incentives and investor discipline also help explain why environmental issues became more central to corporate strategy. Regulation alone cannot fully account for this shift, because for some firms, environmental performance increasingly became linked to competitiveness, capital

access and long-term market positioning. In Dunning's eclectic paradigm, green technologies, low-carbon production processes and advanced compliance systems can, for some leading multinational firms, function as ownership advantages rather than merely as regulatory burdens [4]. In this sense, environmental capability matters not only because it satisfies external rules, but because it can strengthen firms' position in international competition and improve their credibility with investors and business partners. Porter and van der Linde make a related argument by suggesting that environmental constraints can, under certain conditions, stimulate innovation and enhance competitiveness [11]. However, as later reviews show, these effects depend on specific institutional and organisational conditions rather than arising automatically [12].

Investor discipline reinforces this pattern because environmental performance increasingly affects how firms are judged in capital markets and how they secure legitimacy in the eyes of stakeholders [13,14]. In capital markets, environmental performance increasingly functions as a signal of governance quality and long-term resilience. If firms cannot respond effectively to environmental requirements, investors are more likely to understand this as a signal of rising regulatory burdens, increasing supply-chain vulnerability and insufficient low-carbon transformation capacity. In contrast, strong environmental capabilities may enhance firms' relative advantages in financing and valuation. Therefore, market mechanisms do not promote all firms equally towards deeper green transformation. They are more likely to strengthen firms that already possess the capital, technology and organisational capabilities needed to absorb environmental pressures and convert them into new competitive advantages. For firms with insufficient resources and weak financing capacity, the same environmental requirements are more likely to appear as cost pressures rather than strategic opportunities. Yet these benefits are not evenly distributed. Sustainable energy investment remains heavily concentrated in developed economies, meaning that market incentives tend to reward firms that already possess the technological, financial and organisational capacity to convert environmental performance into strategic advantage [15]. The market therefore does not reward environmental commitment in the abstract; it more often rewards firms that can absorb compliance costs and translate them into innovation, legitimacy and a stronger competitive position. Market incentives and investor discipline thus deepened corporate environmentalism for some firms, but they did so in selective and uneven ways.

4. Strategic Adoption, Decoupling and Greenwashing

The rise of corporate environmentalism did not necessarily mean that firms fundamentally changed how they produced, sourced or operated. In many cases, external pressure encouraged strategic adoption rather than deep organisational transformation. Meyer and Rowan argue that formal structures may serve ceremonial purposes by signalling conformity to external expectations even when everyday practices remain only partially changed [5]. Applied to corporate environmentalism, this means that sustainability reports, net-zero pledges and new governance procedures can function as visible signs of compliance without guaranteeing equally substantive operational change. Apple's 2025 Environmental Progress Report is useful here not because it proves deliberate deception, but because it shows how environmentalism can be made highly visible through annual progress reporting, quantified emissions-reduction metrics and supply-chain updates framed as manageable governance achievements [16].

This kind of visibility should not be confused with evidence that every part of a complex global production system has been transformed to the same depth. Firms may disclose favourable environmental information while withholding more damaging aspects of their performance, thereby creating the conditions for greenwashing [17]. At the same time, this does not mean that all firms respond in purely symbolic ways. Similar external pressures can produce different organisational

outcomes because internal structures shape how those demands are interpreted and acted upon [9]. Corporate environmentalism should therefore be understood as real but uneven: its institutionalisation often advances faster in reporting and governance language than in production practice. Apple's official 2025 materials present its environmental progress through annual reporting linked to Apple 2030, including quantified emissions reductions and supplier clean-energy progress. It therefore works here as a textual example of selective visibility rather than as proof of fraud [16].

5. Institutional Voids, Global Value Chains and the Relocation of Harm

The unevenness of corporate environmentalism is visible not only in reporting practices, but also in the spatial organisation of production across global value chains and production networks. Because lead firms do not simply respond to environmental pressure within a fixed location; they can also reshape where environmental costs are borne by reallocating production, risk and upgrading requirements across unequal regions. From a GVC/GPN perspective, environmental improvement cannot be read only at the level of one firm or one site. What matters is where cleaner upgrading occurs, where environmental burdens remain, and who controls that distribution. Not all places benefit equally. Leading firms can usually decide which links are retained as high-value and low-risk activities, and which links are outsourced to areas with weak institutional capacity and lower environmental governance costs. Therefore, the spatial imbalance of corporate environmentalism often manifests as an imbalance in the distribution of value capture, risk exposure and upgrading capabilities. In this context, greener performance in the home market does not necessarily imply a global reduction in environmental harm. It may instead reflect the relocation of more polluting stages of production to weaker regulatory environments. Khanna and Palepu are useful here because their concept of institutional voids highlights contexts in which market intermediaries, regulatory capacity and enforcement mechanisms are absent or underdeveloped, making it easier for firms to manage environmental cost and risk through geographical reconfiguration rather than full operational transformation[6].

Li and Zhou provide strong support for this argument. They show that as U.S. firms import more from low-wage countries, toxic emissions fall in domestic plants while production shifts towards more pollution-intensive industries abroad [18]. For this essay, the key implication is clear: corporate environmentalism should not automatically be read as global net environmental improvement, because apparent progress in one location may coexist with the externalisation of environmental burdens elsewhere. To be sure, global production networks can sometimes support cleaner upgrading and technology diffusion. However, such outcomes cannot be assumed when the conditions for low-carbon transition remain deeply unequal. Cleaner upgrading depends on access to finance, infrastructure and institutional support, all of which remain unevenly distributed [15]. Corporate environmentalism, then, should be understood not simply as a global greening of business, but also as a reorganisation of environmental costs across uneven institutional and developmental landscapes.

6. Germany as an Illustrative Case: Transition Trade-offs

Germany is useful here not because it represents all economies, but because it offers a demanding test case. If corporate environmentalism were likely to advance smoothly anywhere, it would be in a country with strong state capacity, ambitious climate targets and a long-standing energy transition strategy. Yet the German case shows that even under such favourable institutional conditions, greener business practice remains constrained by a persistent tension between decarbonisation, affordability and competitiveness. The IEA's 2025 review describes Germany as being at an "inflection point" as it moves away from nuclear, coal and Russian natural gas towards renewables, low-emissions hydrogen and electrification, while also stressing that the transition matters not only for climate goals but for

energy security and economic competitiveness[19]. The IEA notes that German consumers pay among the highest electricity prices in Europe, which means that climate policy must also be assessed through an affordability and competitiveness lens[19]. This cost pressure will not stay at the policy level, but will further be transmitted to the investment decision-making, technology adoption speed and cross-regional competitive position of firms. For industrial firms, whether green transformation can be further promoted depends not only on the regulatory requirements themselves, but also on whether energy prices are affordable, whether the infrastructure is sufficient to support transformation, and whether firms can maintain cost advantages in international competition.

For firms, this matters because environmental strategy in such a setting is never only a question of regulatory compliance or corporate commitment. It is also shaped by whether electricity prices remain manageable, whether infrastructure expands quickly enough, and whether industrial producers can stay competitive against firms operating under lower energy costs elsewhere. Germany's final nuclear exit on 15 April 2023, after only a temporary extension of the remaining plants, further illustrates that transition pathways are politically contested and economically consequential rather than technocratically straightforward[20].

To be sure, Germany is not a universal model. But that is precisely why it works as an illustration: if even a high-capacity, high-commitment economy faces these trade-offs, then corporate environmentalism cannot be understood as a frictionless or purely linear process. The German case therefore reinforces the wider argument of this essay: corporate environmentalism is real, but its depth is conditioned by broader political-economic constraints, especially where climate ambition must be reconciled with affordability, industrial survival and long-term competitiveness.

7. Conclusion

Corporate environmentalism is now far more deeply embedded in global business than it was in the 1960s, but this shift is better explained by changing institutional and economic pressures than by any simple story of moral progress. Environmental performance matters today because regulation, market discipline and legitimacy pressures have made inaction more visible, costlier and more strategically significant for firms [1,4].

At the same time, the expansion of corporate environmentalism has not been uniform or frictionless. It has often advanced faster in reporting, disclosure and governance routines than in deeper production restructuring, while many of its environmental costs have been redistributed across firms, places and political economies rather than removed altogether [5,6,18]. The German case supports this wider pattern: if even a high-capacity economy with strong climate commitments faces persistent tensions among decarbonisation, affordability and competitiveness, then greener business practice cannot be understood as a smooth or automatic process [19].

This shift should not be read as a simple ethical transformation. It is more convincingly understood as a strategic response to a business environment in which environmental inaction has become more visible, more costly and harder to defend. It is less about saving the planet and more about securing a "licence to operate" in a high-pressure institutional environment [13]. The first view cannot adequately explain greenwashing, policy recalibration or the geographical relocation of environmental harm [7,10,17,18]. The second, however, cannot explain why environmental governance has become materially embedded in corporate strategy, disclosure and investment [3,4,14]. A stronger conclusion is that corporate environmentalism represents a real but partial transformation of the firm: it has moved environmental responsibility closer to the centre of planning and activity while leaving the deeper political-economic constraints of global business largely intact.

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