

THE CORPORATION, CORPORATE GOVERNANCE AND THE SUSTAINABLE TRANSITION

Edited by Tessa Tilde Barnow,
Benjamin Ask Popp-Madsen and Mathias Hein Jessen

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SOCIOLOGY OF ORGANIZATIONS

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THE CORPORATION, CORPORATE
GOVERNANCE AND THE
SUSTAINABLE TRANSITION

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RESEARCH IN THE SOCIOLOGY OF
ORGANIZATIONS, VOLUME 98

**THE CORPORATION,
CORPORATE GOVERNANCE
AND THE SUSTAINABLE
TRANSITION**

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FOREWORD: RESEARCH IN THE SOCIOLOGY OF ORGANIZATIONS

Research in the Sociology of Organizations (RSO) publishes cutting-edge empirical research and theoretical papers that seek to enhance our understanding of organisations and organising as pervasive and fundamental aspects of society and economy. We seek provocative papers that push the frontiers of current conversations that help to revive old ones, or that incubate and develop new perspectives. Given its successes in this regard, RSO has become an impactful and indispensable fount of knowledge for scholars interested in organisational phenomena and theories. RSO is indexed and ranks highly in Scopus/SCImago as well as in the *Academic Journal Guide* published by the Chartered Association of Business Schools.

As one of the most vibrant areas in the social sciences, the sociology of organisations engages a plurality of empirical and theoretical approaches to enhance our understanding of the varied imperatives and challenges that these organisations and their organisers face. Of course, there is a diversity of formal and informal organisations – from for-profit entities to non-profits, state and public agencies, social enterprises, communal forms of organising, non-governmental associations, trade associations, publicly traded, family-owned and -managed, private firms – the list goes on! Organisations, moreover, can vary dramatically in size, from small entrepreneurial ventures to large multinational conglomerates to international governing bodies such as the United Nations.

Empirical topics addressed by RSO include the formation, survival, and growth of organisations; collaboration and competition between organisations; the accumulation and management of resources and legitimacy; and how organisations or organising efforts cope with a multitude of internal and external challenges and pressures. Particular interest is growing in the complexities of contemporary organisations as they cope with changing social expectations and as they seek to address societal problems related to corporate social responsibility, inequality, corruption and wrongdoing, and the challenge of new technologies. As a result, levels of analysis reach from the individual to the organisation, industry, community and field, and even the nation-state or world society. Much research is multilevel and embraces both qualitative and quantitative forms of data.

Diverse theory is employed or constructed to enhance our understanding of these topics. While anchored in the discipline of sociology and the field of management, RSO also welcomes theoretical engagement that draws on other disciplinary conversations – such as those in political science or economics, as well as work from diverse philosophical traditions. RSO scholarship has helped push forward a plethora of theoretical conversations on institutions and institutional change, networks, practice, culture, power, inequality, social movements, categories, routines, organisation design and change, configurational dynamics and many other topics.

Each volume of RSO tends to be thematically focused on a particular empirical phenomenon (e.g. creative industries, multinational corporations and entrepreneurship) or theoretical conversation (e.g. institutional logics, actors and agency and microfoundations). The series publishes papers by junior as well as leading international scholars and embraces diversity on all dimensions. If you are scholar interested in organisations or organising, I hope you find RSO to be an invaluable resource as you develop your work.

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THE CORPORATION, CORPORATE GOVERNANCE AND THE SUSTAINABLE TRANSITION: INTRODUCTION

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ABSTRACT

As the climate crisis intensifies, there is a critical need for transformative action on a multiplicity of political, economic and organizational levels. The corporation stands at the very centre of this critical need, as corporations are accountable for a vast majority of global CO₂ emissions. Reforming corporations and corporate governance is therefore central to the sustainable transition, and this insight is reflected in the increase in attention to the corporation. In this volume, we therefore ask the following questions: What is the role of corporations in the sustainable transition? Can the corporation and its internal structures of corporate governance be reformed to perform on a multiplicity of indicators beyond immediate share price and profit? What are the legal, political, economic and conceptual barriers to corporations' progressive participation in the sustainable transition? The volume aspires not only to position the corporation as a key actor in the wide-ranging processes of sustainable transformation, and to point out the crucial impediments to the sustainable transformation of corporations, but also to stipulate ways in which the corporation can be reformed to play a progressive role in relation to grand challenges such as climate change and the sustainable transition.

Keywords: Corporation; corporate governance; sustainable transition; climate change; purpose corporation; democratizing the corporation

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INTRODUCTION

According to most metrics, the climatic condition of the planet is increasingly worrisome, if not downright catastrophic. We are, as leading climate scientists highlight, ‘on the brink of an irreversible climate disaster’ (Ripple et al., 2024, p. 812). According to the United Nations (UN), the global surface temperature has increased faster since 1970 than in any other 50-year period over at least the last 2,000 years, and based on the global average temperature for the most recent 10-year period (2014–2023), the planet is approximately 1.2°C warmer than it was in the pre-industrial era. In addition, 2023 was the warmest year recorded, with a global average temperature 1.45°C above the pre-industrial baseline. The period 2011–2020 was the warmest decade on record for both land and ocean (UN, 2024a). Human activity and production, especially CO₂ and other greenhouse gas emissions, are the primary drivers, and fossil fuel combustion and industrial processes constitute 90% of these emissions (Ripple et al., 2024, p. 812). There is thus no doubt that there is a critical need for transformative action on a multiplicity of political, economic and organizational levels, as states, businesses and individuals alike have to change established patterns of lawmaking, production and consumption. As the UN (2024b) argues, ‘everyone must take climate action, but *people and countries* creating more of the problem have a greater *responsibility* to act first [emphases added]’. However, despite the focus on the role of states or individual consumers, just 57 corporations in oil, gas and cement production account for 80% of the world’s CO₂ emissions since 2016 (Watts, 2024b).

This attests to the centrality of corporations not only to the global economy, but also to the sustainable transition. The dramatic increase in attention to the corporation in recent years has been due not least to the climate crisis. Many critics attribute much of our current malaise to the dominance of the shareholder value primacy paradigm of corporate governance, which has the effect that the private capital needed to finance the sustainable transition is more often than not invested in fossil fuels, or at least without regard for the climatic effects of the economic activity invested in. There is no doubt that shareholder value primacy has become a dominant ‘social norm’ of corporate governance across jurisdictions and in many ways constitutes a ‘main barrier to sustainable companies’ (Sjåfjell et al., 2015, p. 79). As long as the shareholder value primacy paradigm of corporate governance remains dominant, and corporations are expected to take short-term increases in share price as their guiding light, it is difficult to see how corporations can be positive contributors to the much-needed sustainable transition of contemporary economies, especially in situations where the transition compromises the maximization of profits. A central component of a successful sustainable transition must therefore be to change the nature of the corporation and the corporate governance regime of shareholder value maximization. However, it is also important to broaden the question beyond shareholder value primacy and to look at the corporation and corporate governance more broadly in order to evaluate the role of the corporation and corporate governance in the sustainable transition.

In this edited volume, we ask the following questions. What is the role of corporations in the sustainable transition? Can the corporation and its internal structures of corporate governance be reformed to perform on a multiplicity of indicators beyond immediate share price and profit? What are the legal, political, economic and conceptual barriers to corporations' progressive participation in the sustainable transition? By answering these questions via insights from diverse disciplines such as organizational sociology, management theory, political science, business ethics and intellectual history, this edited volume aspires not only to position the corporation as a key actor in the wide-ranging processes of sustainable transformation, and to point out the crucial impediments to the sustainable transformation of corporations, but also to stipulate ways in which the corporation can be reformed to play a progressive role in relation to grand challenges such as climate change and the sustainable transition.

This introduction explicates the relationships between the corporation as a legal entity (regulated by corporate law), institutional models of corporate governance, and the sustainable transition. First, we introduce a number of ideal-typical models of climate governance, including state-based, technology-based and market-based models. With its focus on the role of corporations and corporate governance, this edited volume contributes primarily to the development of market-based models of climate governance while simultaneously criticizing core elements of that model, especially its presupposition of a tight link between shareholder value and profitability on one hand and sustainability on the other. Second, building on this critique of market-based models of climate governance, we outline two prominent ways of reforming the corporation that have recently gained traction in both scholarly and activist circles and in public debate. One influential avenue of reform is the notion of the purpose corporation, whereby corporations are either voluntarily or legally made to operate in accordance with a more-than-profit purpose, such as sustainability. The other influential avenue of reform is the notion of democratizing the corporation, which sees internal mechanisms of employee representation as well as external stakeholder involvement as able to influence management, CEOs and corporate boards to make decisions in a sustainable manner. However, scholars working on both the purpose corporation and democratizing the corporation agree that corporations cannot be understood as exclusively economic, market-based and private actors; rather, they must be conceptualized as organizations that are capable of both pursuing socially relevant purposes beyond shareholder value and integrating diverse stakeholders into decision-making processes. The two above-mentioned approaches to reforming the corporation therefore also problematize the purely economic conception of the corporation and open the door for a conceptualization of the corporation as a fundamentally political and governmental entity. Hence, this introduction's third task is to outline the framework of the political theory of the corporation, which has recently gained much traction in the fields of management and organization studies, economic sociology, political theory and intellectual history (Brunsson, 2024; Jessen, 2022; Veldman, 2013; Veldman & Willmott, 2022). Lastly, we provide an overview of the papers included in this volume.

MODELS OF CLIMATE GOVERNANCE: STATE, TECHNOLOGY AND MARKETS

Climate governance, as practised and institutionalized by states, international institutions and businesses, always entails different and hybrid elements, but on the ideal-typical level we can differentiate between state-based, technology-based and market-based models of climate governance. This edited volume mainly explores the challenges and deficiencies of the market-based model, as well as how market actors, particularly corporations, can be reformed to pursue more-than-profit purposes such as those demanded by the climate crisis.

State-based models of climate governance take states and intergovernmental collaborations between states as the primary object of analysis and the relevant actors in climate governance. In the national arena, states have the regulatory power to tax, subsidize, support, illegalize or promote certain behaviours among individual consumers and businesses. In the international arena, for the last 45 years, the overarching UN-led global climate governance regime has been intergovernmental, based on international law and international diplomacy between states, and it has primarily targeted states and their governments. An exemplar of this intergovernmental approach is the 2015 Paris Agreement, which ratified a bottom-up system through which reductions were partly determined by the countries themselves. As a top-down agreement with tough hard-law obligations was not feasible, countries agreed on voluntary determination of reductions and ‘naming and shaming’ to guarantee compliance. Thus, the realization of the Paris Agreement, and the model of state-based climate change governance of which it is an example, depends on the willingness of major emitters to reduce emissions over the coming decades (Ciplet & Roberts, 2017; Luomi, 2020, p. 9). In the national arena, state-based models of climate governance have faced problems because climate policy is easily co-opted by other policy issues, and national legislation has proved inefficient at tackling the transnational issues associated with climate change. In the international arena, intergovernmental approaches have been subject to gridlock and conflict between countries of the Global North and Global South.

Technology-based models of climate governance propose technological innovations as the primary vehicle to solve the climate crisis. Technological innovations – such as increased wind and solar power, geoengineering, carbon capture, utilization and storage, fusion, and green hydrogen, among others – are supposed to have the effect of decoupling economic growth from environmental impact. Such approaches to climate governance have been discussed under the general heading of ecomodernism, a term that refers to the modernist vision of human progress through scientific discovery and human reason. In 2015, a group of self-declared ecomodernists, including scientists and engineers, published *The ecomodernist manifesto* (Ecomodernist Manifesto, 2015), which demanded ‘that humans use their growing social, economic, and technological powers to make life better for people, stabilize the climate, and protect the natural world’. The manifesto was editorialized by the prestigious science journal *Nature* (2015) and received high praise in scientific and industrial circles. The core of technology-based models

of climate governance is the belief that present-day consumption patterns and living conditions can be maintained, as technological innovations will provide clean energy and restore the earth's ecological balance. An important impediment to technology-based models of climate change is the time frame: such technologies take a considerable time to develop and institutionalize, but their climate-mitigating and adaptive effects are needed more urgently. Another critique of the ecomodernist vision relates to the abilities of clean technologies to deliver the absolute (and not merely relative) decoupling of environmental impacts from consumption at the necessary scale (Haberl et al., 2020) – especially in growth-based economies, where the green growth idea has been criticized for relying on increasingly outlandish science-fiction techno-fixes (Hickel, 2020).

This brings us to market-based models of climate governance, which take the market and businesses to be the main drivers of the sustainable transition. In the last 10 years, visions of green capitalism have emerged where the apparent opposition between the growth imperative of capitalism and the need for the sustainable descaling of economic production has been superseded by win-win-win scenarios. These scenarios suppose that investors can profit while businesses transition into sustainable production and clean energy – the (in)famous ambition to ‘do well by doing good’. As the intergovernmental track has often become gridlocked, market-based governance has proliferated: ‘The history of global environmental governance involves the gradual move from precautionary, “command-and-control” state regulatory solutions to private-market-based solutions’ (Gareau, 2013, p. 43). Central to market-based models of climate governance and visions of green capitalism is the notion that the sustainable transition does not need state involvement, excessive state regulation or supranational treaties, because investors actually have a preference for green and sustainable businesses and green financial products, and hence the market will efficiently usher private and institutional capital into financing the green transition. As intellectual historian Quinn Slobodian (2019) argues, in market-based models of governance, ‘the investor and the corporation’ is ‘the paradigmatic rights-bearing subject’ (p. 120). This vision is embodied by Larry Fink, CEO of the asset manager BlackRock, who has been at forefront of its development. Fink (2021) encapsulates the idea of green capitalism in a letter to American CEOs, in which he argues that ‘we know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity’, and hence ‘as markets start to price climate risk into the value of securities, it would spark a fundamental reallocation of capital’. In an interview, Fink (2023) states:

The transition to a low-carbon economy is top of mind for many of our clients. Our clients have a range of investment objectives and perspectives. We have clients who want to invest in ways that seek to align with a particular transition path or to accelerate that transition.

It is important to add, however, that beyond the discourse of commitment to sustainable and ethical investment, in practice, BlackRock has continued to invest in fossil fuels and in corporations facing serious accusations of human rights violations (Watts, 2024a) and has recently been part of a consortium buying the Panama Canal following Donald Trump's desire for American control

of it (Platt et al., 2025). In early January 2025, BlackRock also announced its withdrawal from the UN-sponsored Net Zero Asset Managers initiative following pressure from Republican politicians under the banner of combatting ‘woke capitalism’ (Kerber, 2025).

In the last few years, green capitalism’s win–win–win scenarios have been increasingly challenged, also in economic terms. A central consequence of green capitalism as a market-based model of climate governance is that profitability and sustainability are tightly knit together, both conceptually and practically, with the former becoming a precondition for the latter. Investors place their capital in clean energy not only because doing so is a good deed, but also because it secures them a profit – indeed, a profit sufficiently large to supersede the opportunity cost, that is, the cost of missed opportunities for returns from placing their capital elsewhere. Conversely, since most investors – and certainly institutional investors, who manage an incredible amount of capital in pensions and savings – invest with the objective of a maximum return on investment, the link between sustainability and profitability rests on a continued return on green investments. It is precisely this link that has recently been challenged: large-scale green energy projects, especially wind and solar, are being abandoned because investors do not see them as profitable investments. According to political geographer Brett Christophers’s (2024) analysis in his book *The price is wrong: Why capitalism won’t save the planet*, despite the increased efficiency and decreased costs of green energy production thanks to technological developments, wind and solar electricity development is insufficiently profitable compared with other investments. From a technological perspective, green energy can be produced easily and cheaply, especially after the significant establishment costs have been paid. However, investments are lacking due to highly fluctuating and unstable energy prices, which do not provide sufficient prospects of risk-adjusted returns for investors.

Acknowledging the profitability barrier to investments in key green technologies, market-based models of climate governance have taken an industrial policy turn, as seen, for example, in the European Union’s (EU) launch of its clean industrial deal in 2025 (European Commission, 2025). Conceptualizing the EU as an ‘investor state’ (Lepont & Thiemann, 2024) or ‘derisking state’ (Gabor, 2023), political economists have analysed the European approach to making key sectors bankable by subsidizing, guaranteeing and otherwise carrying the risk for private investors. This shift in climate governance and climate politics is currently unfolding all over Europe and the United States, where corporations are increasingly and explicitly mobilized in geopolitical struggles, and where sustainability and the sustainable transition are increasingly becoming subservient to national territorial and regional security and resilience interests, resulting in the relaxation and even scrapping of sustainability measures. What this means for the future of the sustainable transition, and for the role of corporations within it, remains to be seen. This shift is occurring alongside another transformation in the role of corporations and corporate governance, namely the gradual ‘vanishing’ of the corporation (Davis, 2016). This trend involves the decline in the volume of publicly traded corporations and the move to other forms of corporate entities and dynastic, family or privately held corporations (Cooper, 2024), as well as the rise of non-corporate enterprises

like limited liability companies and limited partnerships, particularly in the United States (Soener & Nau, 2019). The dominant trend for shareholder value primacy and its institutionalization in corporate governance practices is closely connected to the publicly traded corporation, and the corporation's demise (or at least decline) opens up the question of what forms will replace it and whether those institutional, organizational or corporate forms will be more suited to accommodate the sustainable transition. And also how these changes interact with, challenge or extend the dominant social norm of shareholder value primacy. Among all the scholarly and political attempts to problematize, if not counter, the link between sustainability and profitability on which market-based models of climate governance rest, a primary route has been to explore ways of conceptualizing market actors such as corporations as having purposes other than profit-making and diverse stakeholders other than investors or shareholders.

REFORMING THE CORPORATION: CONTEMPORARY APPROACHES

The future of the business corporation and how it can be productively reformed to mitigate the consequences of climate change is a topic of heated debate in public discourse and academic circles. In 2019, the [Business Roundtable \(2019\)](#), previously a stronghold of shareholder value maximization, issued a new 'Statement on the purpose of a corporation' that acknowledged the importance of all stakeholders and redefined the purpose of the corporation as creating 'an economy that serves all Americans'. In a 2018 letter to CEOs, BlackRock CEO Fink (2018) explained:

Society is demanding that companies, both public and private, serve a *social purpose*. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

Moreover, World Economic Forum CEO Klaus Schwab (2021) has advocated 'stakeholder capitalism', meaning a 'global economy that works for progress, people and planet', a move he attributes to the 'Greta Thunberg effect' ([World Economic Forum, 2019](#)). Whether such statements from the business community should be taken at face value or are a form of window-dressing is debatable, but they nonetheless testified to a certain *zeitgeist*, or at least a legitimation crisis in the corporate order, sparked to a very large degree by climate change. To what degree this *zeitgeist* is at the moment of writing being superseded, appropriated or challenged by another *zeitgeist* of global, national and geopolitical security and how it interacts with the former one, remains to be seen. In this section, we briefly survey two of the most influential contemporary ideas about how the corporation might be reformed: the purpose corporation and the democratization of the corporation.

The Purpose Corporation

As [Lynn Stout \(2012\)](#) argues, 'of all the controversies surrounding' the corporation, 'the most fundamental and enduring has proven the debate over

its proper purpose' (p. 16). In line with the Business Roundtable's reorientation towards corporate purpose, scholars and activists point to the establishment of non-economic purposes as a primary way of making business corporations responsible in relation to grand challenges such as the sustainable transition. One literature review defines corporate purpose as

consist[ing] in the overarching management objectives of a corporation that go beyond narrow financial metrics, such as providing good work, contributing to sustainable economic development, or fostering consumer autonomy. Hence a corporation that is exclusively managed to maximize profits does not have a corporate purpose in our usage of the term. (Hsieh et al., 2018, p. 55)

Thus, corporate purpose can be understood as a direct critique of shareholder primacy, which reduces the purpose of the corporation to servicing the interests of shareholders, and which (as discussed above) has severe consequences for green investments and the role businesses play in the sustainable transition. The recent [British Academy \(2018\)](#) research project 'Future of the corporation' also conceptualizes corporate purpose as the core theoretical and practical tool through which corporations are to be reformed and as a critique of the shareholder primacy doctrine:

The purpose of corporations is not to produce profits. The purpose of corporations is to produce profitable solutions for the problems of people and planet. In the process it produces profits, but profits are not per se the purpose of corporations. (p. 16)

According to [Colin Mayer \(2021\)](#), the academic lead on the British Academy project, the way a corporation can be held accountable to its purpose

is remarkably straightforward. Since the corporation is a product of law, the law can define the nature of the corporation. There is no law of nature that states that the corporation must be as it is. In contrast, for nearly all of its 2000-year history, the corporation has taken a very different form from how it is today. (p. 894)

This focus on corporate law as the central lever of corporate reform can also be found in a recent 'Statement on corporate governance for sustainability' signed by almost 125 leading corporate governance scholars, which argues:

[To] counteract the pressures imposed on directors by financial markets to maximise short-term shareholder value ... directors should be *subject to a legally-binding obligation* [emphasis added] to develop, disclose and implement, on behalf of the company, a forward-looking corporate sustainability strategy. (Modern Corporation Project, n.d.)

In a number of jurisdictions, new corporate forms that introduce corporate purpose are emerging or under discussion. Since 2010, a number of US states have made it possible to create benefit corporations that are legally bound to pursue a more-than-profit purpose. This model was also the inspiration behind Senator [Elizabeth Warren \(2018\)](#) proposed 'Accountable Capitalism Act', which sought to provide corporate purposes and charters for larger corporations. In 2019, the French parliament passed a law creating a new type of corporation, the *société à mission*, which can adopt legally binding social and environmental goals by incorporating them into its by-laws and establishing a committee to monitor its more-than-profit purpose ([Segrestin et al., 2021](#)).