# Why Not Corporate Activism in the UK?

By N. Craig Smith , INSEAD Chaired Professor of Ethics and Social Responsibility

**The factors that prevent British business from speaking against the upcoming UK/EU divorce.**

Although the Brexit transition deal announced last week will leave the United Kingdom within the European Union's trading bloc until 2020, European businesses are relocating **supply chains** out of Britain. **"Brexit means Brexit"**, British Prime Minister Theresa May has asserted time and again, while her predecessors of both major political parties characterise it as an " **historic** **mistake**". We know politicians (past and present) oppose leaving the EU, but business is largely absent in the continuing debate about Brexit, despite its stake in the outcome. We have heard from think tanks and business groups – like the **British Chambers of Commerce** which wants to see results – but where are the corporate voices against Brexit?

We have heard from the likes of Sir James Dyson, who is supportive of Brexit. But while it might be good for Dyson and his company, others with deeper links to the EU or dependent on foreign workers are likely to be losers. We have recently learnt that Unilever is relocating its headquarters to Rotterdam, **apparently** for reasons unrelated to Brexit. We have also heard from business about the need for more clarity about possible scenarios so companies can plan for Brexit accordingly. However, this is contingency planning, not speaking out against the current Brexit course that's likely to hurt business and society.

## Philosophical considerations

The standard explanation for executives' silence on political issues that affect corporate interests is that business and politics should never mix. There are philosophical and pragmatic reasons for this view. Philosophical in that the legitimacy of business action is in doubt when unelected corporate officials speak about politics. Pragmatic because speaking out could threaten profits and other business interests.

In one classic case illustrative of the problem of mixing business and politics, **Shell** executives argued that it would not be appropriate to speak out against the execution of Ken Saro-Wiwa and eight other Ogoni activists who had protested Shell's exploitation of oil reserves in the Niger Delta and the government's alleged failure to protect their rights. The activists had been found guilty of murder by a military tribunal, a trial widely viewed as rigged by the corrupt General Sani Abacha regime. Shell was asked to use its influence with the regime to prevent the execution. It responded that it would be "dangerous and wrong" to interfere in the legal process of a sovereign state, though Shell's Chairman Cor Herkstroter did write privately to Abacha to plead for clemency. Shell asserted a principle of non-interference, but its critics believed its inaction was to protect its oil interests in Nigeria where it operated a joint venture with the state.

Fast forward 20 years and much has changed. While philosophical concerns about the legitimacy of corporate political activism remain, the increased power of business relative to the state, the inaction if not failure of government in many domains, and increased societal expectations coupled with greater transparency of business action challenge the mantra that business and politics should not mix. It is increasingly in the interests of business to speak out on political issues – and **potentially harmful** if it doesn't.

## Pragmatic voices

Nowhere has this been more evident than in the United States over the past year. Howard Schultz, CEO of Starbucks, was among the first of many U.S.

business leaders to **speak out** against U.S. President Donald Trump's executive order banning immigrants from seven Muslim-majority countries. He was quickly joined by Goldman Sach's Lloyd Blankfein, who said: "This is not a policy we support… we will work to minimise such disruption to the extent we can within the law."

Scores of business leaders also spoke out against the U.S. withdrawal from the Paris Agreement on climate change. Facebook co-founder and CEO Mark Zuckerberg insisted that, "Withdrawing from the Paris climate agreement is bad for the environment, bad for the economy, and it puts our children's future at risk." Cargill CEO David MacLennan said, "If the U.S. exits international accords like the Paris Agreement it will negatively impact trade, economic vitality, the state of our environment and relationships among the world community."

In some cases, business interests were clearly at stake. Amazon, Expedia and Apple joined a legal action to challenge the travel ban, no doubt in part because the tech sector relies on immigrants to staff its R&D departments. For others, speaking out was consistent with company values and stakeholder expectations, even if calling attention to the folly of government policies might put a company at odds with some of its stakeholders who are supportive of the Trump administration.

Surely Brexit, of any government policy in recent times, is one that warrants the attention of U.K. business leaders. The interests of many businesses are profoundly threatened. So why haven't we heard British businesses questioning Brexit? Beyond arguments about the legitimacy of corporate political activism, there are the pragmatic considerations that weigh against it. No doubt some fear speaking out because they might alienate key stakeholders. Certainly, some companies will wish to avoid upsetting customers and employees who continue to support Brexit. Equally, many companies will wish to remain in the good graces of the government, not least if this provides access and potential influence in Brexit negotiations that might favour the sectors in which the company operates. Possibly some, like Shell's Herkstroter, are expressing their misgivings to the government in private. One sector most likely to be adversely affected is financial services, but due to its role in the financial crisis and its history of misconduct, its contributions to the debate could remain unheard or even be counterproductive.

### Time to speak

Many would say that businesses should remain silent. However, times have changed and, given the stakes, more courage is needed. The current British government seems to be beholden to a small group within its party at the expense of the nation as a whole. British jobs are already quietly **moving to the continent**. There are long-term implications of Brexit that business needs to confront, from immigration to both tariff and non-tariff trade barriers between the U.K. and the EU that are likely to result from the break-up. Since half of the British population favoured remaining in the union, there is a good chance that many businesses will strike the right note with at least some of their customers. A cautious sounding of the alarm bells could at most merely annoy the other half. American CEOs have had little problem speaking out against bad policy, even though their current president will serve eight years at the most. The consequences of Brexit will endure for decades. It is time for British business leaders to contribute to the debate.

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