Look How Green I Am! An Individual-Level Explanation for Greenwashing

Lorianne D. Mitchell
East Tennessee State University

Wesley D. Ramey
Middle Tennessee State University

Greenwashing occurs when organizations misrepresent themselves as engaging in earth-friendly behaviors. In this paper, the authors explain greenwashing and discuss its implications for the consumer and the organization. Moreover, using the existing theoretical framework of competitive altruism theory (Barclay, 2004; Hardy & Van Vugt, 2006), the authors explain the consumer's role in the increasing corporate displays of greenwashing.

INTRODUCTION

There is an increased awareness of environmental issues and a collective consciousness regarding protecting the environment and preserving natural resources in modern day America. This is evidenced by the increase in recycling programs (American Chemistry Council, 2010), the increase in sales of hybrid and higher fuel-efficiency vehicles (Gallagher & Muehlegger, 2008; J.D. Power, 2007) with a parallel decrease in sales of higher fuel consumption vehicles, home improvement projects using 'greener' materials including denim insulation, products made of bamboo (a highly renewable resource), and Energy Star labeled appliances, to name a few. These products and services, often labeled as 'green' (Peattie & Crane, 2005), are becoming increasingly popular with American consumers seeking to do their part in saving the environment.

A recent report by TerraChoice (2010), an environmental marketing and consulting firm, stated that the number of green products has increased from 2,739 products in 2009 to 4,744 products in 2010. With this increase in the popularity of what is termed 'going green', companies are striving to present their products/services and organizational cultures as being environmentally responsible; in addition, many use flamboyant advertising campaigns and logos aimed at promoting their environmental consciousness. Evidence of the far reaching impact of the green revolution is an announcement made two years ago by the world's largest retailer, Walmart, in which a company representative stated that Walmart would provide consumers with a 'sustainability index', or green rating, for all of its products. This strategy was viewed by some as an attempt to force suppliers to be more environmentally friendly while simultaneously serving as shameless and misleading self-promotion, due to the fact that it is almost impossible to accurately assign a product a sustainability rating when one is unsure of the origins of the materials used in its assembly, packaging and shipping (e.g., Keegan, 2011).

Unfortunately, some organizations recognize the 'going green' trend as an opportunity to employ questionable tactics in an effort to surpass competitors in market share and profits. This is perhaps because consumers are willing to pay a premium for products or services that are more environmentally friendly, or produced by socially responsible organizations. A well-known example is in the automobile industry where hybrid vehicles like Toyota's Prius cost approximately $5000 more than non-hybrid competitors with a similar resale values but a 4- to 6-year breakeven point (CNNMoney, 2008). At the prospect of increased revenue from these green premiums, several companies may falsify their environmental claims to mislead consumers into choosing their products/services over those of their competitors.

In another industry, foods grown and prepared in a specific manner are officially labeled 'organic' by the United States Department of Agriculture (USDA) with a USDA seal on the packaging. However, some labels are misleading as organizations attempt to market their product as organic by using terms such as 'all natural', 'farm raised', 'recyclable' etcetera. Once discovered, falsified claims of green products and services lead consumers to question the integrity and practices of dubious companies. When consumers are doubtful of the integrity of companies that use green labels, they may penalize those companies and patronize their competitors instead. As a result, some companies forgo green labeling and the possible profits accompanying their use because they would rather not risk damaging their public image and accompanying lost profits (Harbaugh, Maxwell, & Roussillon, 2011). Still others gamble that consumers' ignorance of what lies beyond a label will boost their revenues and misrepresent the environmental friendliness of their product, service or corporate practices. Such unethical practices by companies have come to be known as 'greenwashing'.

GREENWASHING

A beguiling handle for the combination of the terms green (environmental) and brainwashing, greenwashing is defined as "disinformation disseminated by an organization so as to present an environmentally responsible public image" (Concise Oxford English Dictionary, 2010). Essentially, greenwashing is a deliberate act by an organization to obscure potentially harmful information or deliver information in a way that portrays a false image that the organization is green or eco-friendly (cares about the environment). Noteworthy examples of organizations that have been accused of greenwashing include: British Petroleum (BP) for launching an ostentatious green campaign (complete with suggestive green logo) while continuing to illegally dump hazardous wastes in addition to engaging in other questionable practices; Ford Motor Company for its high-carbon-emitting Escape Hybrid SUV; and, General Electric (GE) for self-promoting its green image while simultaneously resisting tighter environmental regulations (Furlow, 2009).

There are relatively few references to greenwashing in the extant literature prior to the late '90s when Greer and Bruno (1996) discussed the concept in their book on environmental marketing; however, the authors failed to offer a precise definition of the term. Empirical research conducted since then reported a statistically significant relationship between an organization's environmental practices and its organizational behavior (Al-Tuwaijri, Christensen & Hughes, 2004; Clarkson, Li, Richardson & Vasvari, 2011). Specifically, firms that engage in sound environmental practices are more likely to disclose those practices; conversely, companies under scrutiny for their environmental practices were more likely to offer little information, offer misleading information, or otherwise offer no disclosure regarding their environmental performance (Clarkson et al., 2011).

There are numerous empirically-demonstrated reasons for a company engaging in environmentally-friendly or green activities. These include: gaining a competitive advantage in one's industry, earning a reputation of legitimacy and social responsibility and, reducing operating costs (Bansal & Roth, 2000; Lyon & Maxwell, 2008; Porter & van der Linde, 1995). Modern organizations must compete not only on the price and quality of their offerings, but also on the environmental-friendliness of their products and services. Directly related to maintaining a competitive advantage is public perception of companies' efforts to operate in an honest and socially responsible manner (Bansal & Roth, 2000). Recognizing the benefit of a corporate image of social responsibility, some organizations form corporate social responsibility (CSR) programs to demonstrate their conscientiousness to constituents. Others negotiate and partner with advocacy groups to form CSR programs in an attempt to avoid tighter government regulations and related penalties (Lyon & Maxwell, 2008).

Companies are not required by law to have a set of formal environmental policies, nor are they required to make said guidelines available to the public. A study conducted by Ramus and Montiel (2005) investigated reasons behind companies' commitment to an environmental policy and what actually motivates them to implement environmental policies. The researchers found that even when companies have environmental policies in place they are not consistent in their commitment to implementing those policies. Moreover, the companies indicated that they would be more likely to implement policies under governmental coercion or threat of backlash from consumers. This suggests that organizations often do not create responsible environmental policies and only commit to them when absolutely necessary – sometimes due to direct pressure from the Federal Trade Commission.

The Federal Trade Commission (FTC), a regulatory body created by the US government primarily for the purpose of the protection of consumers, is responsible for the creation and enforcement of guidelines regarding the labeling and marketing of green products in America. (The current guidelines used in evaluating environmental marketing claims, issued in 1998, were under revision at the time of this paper's preparation.) The FTC does not set environmental policy for individual organizations. Rather, it assesses the veracity of their claims with the aim of protecting consumers against deception. Despite the FTC's attempts at enforcing environmental guidelines, organizations continue to find ways to engage in greenwashing acts – unethical and potentially illegal violations that could warrant legal action. It is also important to note that even though the FTC has guidelines on green marketing it is relatively rare for them to actually pursue any violations because of the large number of violations that occur. Since the FTC cannot possibly police and punish all organizations that practice greenwashing, it is ultimately consumers' responsibility to question organizations' environmental records and actions and report them when appropriate.

In this paper we posit that consumers are, to some degree, culpable for some of the greenwashing 'sins' organizations commit as they strive to meet customers' demands. In their recent report, TerraChoice (2010) identifies seven 'sins', or greenwashing acts, committed by companies: the hidden trade-off, no proof, vagueness, irrelevance, lesser of two evils, fibbing and worshiping false labels. Shockingly, more than 95% of the 4,744 green products identified in the report were guilty of at least one of the seven greenwashing sins (TerraChoice, 2010). With competitive altruism theory as the cornerstone of our argument, we present the case that there are social and anthropological motives in the choices consumers make regarding purchasing environmentally-friendly products and services. Consequently, organizations take advantage of this knowledge and attempt to capitalize on it – which may result in greenwashing.

COMPETITIVE ALTRUISM THEORY

Competitive altruism is a social phenomenon defined as "the process through which individuals attempt to outcompete each other in terms of generosity" (Hardy & Van Vugt, 2006, p. 1403). In essence, the theory posits that individuals selfishly contend to be perceived as altruistic because it elevates one's status, which in turn affords one benefits associated with the higher status. Research participants were more likely to engage in competitive altruism when they were aware that their displays were public and when they knew that there were some enduring future benefits to enjoy; in addition, participants chose to partner with those individuals who displayed high altruism – an additional social benefit to the highly competitive altruist (Hardy & Van Vugt, 2006).

Competitive altruism theory may perhaps explain the ultimate competitive strategic step made by Walmart towards a sustainability index, but it may also explain why consumers purchase green products/services. One may argue, given the tenets of competitive altruism theory, that the more visible the product/service green label, the more likely consumers will be to strive to attain it in order to elevate their status. In fact, other perceived benefits of altruistic behavior include an elevated reputation of trustworthiness (Barclay, 2004).

Evolutionary psychologists have empirically-demonstrated that consumers in a position to spend more for a product will forgo luxury and opt instead for environmental friendliness (calling to mind the growing trend of multimillionaire celebrities, who have the means to purchase expensive luxury brands, driving less luxurious vehicles with a green badge). In a series of experiments, scientists (e.g., Griskevicius, Tybur, & Van den Bergh, 2010) found that status gained from one's behavior being public led study participants to choose eco-friendly automobiles, dishwashers, cleaning products, even backpacks, over their nongreen counterparts.

MANAGERIAL IMPLICATIONS

The implications for decision-makers in organizations are significant. Competitive altruism theory suggests that the modern consumer will outwardly sacrifice and pay a premium for the perception that they care about the environment. Consumers may sacrifice aesthetics and purchase the irregularly-shaped and harsh-lighting impact fluorescent bulbs, or comfort and ride a bicycle around town instead of driving in an air-conditioned vehicle, or money when they purchase reusable shopping totes and hybrid vehicles. These common examples are being displayed by an increasing number of the population. By extension, the first implication is that companies can continue to demand a premium for green products because it affords the status-conscious consumer an opportunity to publicly display their self-sacrifice. This theory may explain why consumers' behaviors baffled analysts when they continued to purchase Priuses even after the tax credits expired in 2006 (Cloud, 2009) and prices of the hybrid vehicle continue to rise. Unless there is a cultural revolution, we think that consumers will continue to be very sensitive to their social status within their reference groups.

Second, organizations wishing to capitalize on the green trend should tread carefully and learn from the missteps of those engaging in greenwashing. Specifically, they should note that it is financially beneficial to not only present an image of environmental-friendliness, but to indeed be so (Bansal & Roth, 2000; Lyon & Maxwell, 2008; Porter & van der Linde, 1995). Furthermore, there are processes being established to better police greenwashing, and organizations discovered using questionable tactics may suffer dire consequences in the way of fines, loss of reputation, consumer trust and corresponding market share. What may initially appear as a lucrative strategy may indeed be counterproductive to one's strategic goals as the repercussions of greenwashing could be long lasting. In fact, everyone benefits from a reduction in greenwashing: (1) consumers will again find meaning in green labels instead of questioning the veracity of all environmental claims; (2) businesses that sincerely strive to be eco-friendly will not be penalized because of generalizations consumers make due to competitors' misdeeds; and, (3) the environment will actually benefit from the combined efforts of businesses and consumers.

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

In view of the fact that going green has become a trend on the consumer level, the current paper sought to offer individual-level explanations for unconventional consumer habits. Namely, the observation that even in tough economic times when individuals seek value in their purchases, consumers continue to pay a premium for green goods and services. Competitive altruism theory offers explanations of why consumers expend significantly more money, time, effort and other valuable resources to procure goods and services, or patronize organizations, perceived as environmentally friendly. Essentially, as social beings, consumers display actions that result in some immediate sacrifice in order to enjoy future gains such as the respect, admiration, and perhaps even envy, of observers. Armed with this knowledge, organizations are then primed to meet the demands birthed by the current green trend; although, some choose to engage in greenwashing.

Research to date on greenwashing is limited and still emerging. Independent consulting firms such as TerraChoice have gathered some of the most comprehensive data regarding greenwashing and evolutionary psychology offers the most comprehensive, albeit cynical, explanation for the green trend. Nonetheless, more peer-reviewed research is needed. For instance, future research can identify specific organizations that use greenwashing tactics and investigate their actions' impact on the company's financial and social standing using a before and after comparison. Beyond research, consumers hold the power to enact real change by their purchasing decisions. If we hold organizations to task for deceiving us and instead patronize their competitors, we can send a real message that greenwashing is not beneficial.

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