

## CORPORATE SOCIAL RESPONSIBILITY

## HOW TO GO GREEN WITHOUT THE WASH



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In a globalized world facing resource scarcity and a carbon-constrained future, companies that manage their exposure to environmental risks, while at the same time seeking new opportunities for profit, are the ones that will succeed.

CORPORATE SOCIAL RESPONSIBILITY  
• BUSINESS ETHICS • ENVIRONMENT •  
GREENWASHING

The world is waking up to the reality of decreasing air quality, rising sea levels, destruction of ecosystems and higher global temperatures. The benefits reaped by environmental policies have seemingly been cut short by the success of globalization.

The blame cannot entirely be placed upon governments and corporations, but there is reason to believe policies are not being fully implemented and the environment has not been successfully integrated into corporate policies.

These environmental issues carry a great threat that affects us all. Paradoxically, however, they also represent a great opportunity for businesses to innovate, spurring more efficient products and processes, granting access to new markets, improving outdated business models, and, at the same time, reducing costs, risks and liabilities. It's not only the right thing to do, but it might be good for business.

The idea of saving the planet while making money has spurred many companies on to engage in environmental activities.

#### TAKING A SHORTCUT

● So why, then, do some companies choose the dark arts of greenwashing?

Greenwashing, making false or misleading claims regarding the environmental impact of a company's products or practices, can be a tempting strategy.

According to environmental marketing firm TerraChoice, between 2009 and 2010 the percentage of "greener" products rose by 73 percent, and yet when environmental claims made by firms on the same products were examined, over 95 percent were found to be committing at least one of the "Seven Sins of Greenwashing."

To the untrained eye of the consumer, a label on a product making spurious, vague or unverifiable claims about its environmental impact can encourage purchases. It also confers kudos to the brand.

By avoiding the substantial resources, time and risk-taking that going green requires, many firms have taken the greenwashing shortcut. The time required for a firm to devise a communication campaign is nowhere near the time needed to actually develop, implement and monitor environmentally responsible strategies.

Experts argue that lax government regulation is to blame for greenwashing. For example, in the United States, the Federal Trade Commission (FTC) prohibits unfair or deceptive acts or practices in relation to environmental claims. In practice, the FTC has only investigated and



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charged companies in 42 cases since the beginning of the 1990s.

Greenwashing is, nonetheless, a dangerous strategy for companies, bringing the risk of huge reputational damage, deteriorating consumer trust and loss of profits.

One only has to glance at the recent headlines about European car manufacturers and rigging of emissions tests to understand what a monumental PR disaster greenwashing can be. Not only have firms like Volkswagen experienced this public shaming, but it lost its CEO, other senior executives and took a significant hit to its market value. On top of which, compensation claims loom on the horizon.

As NGOs become more vocal about greenwashing, their power is enhanced by the advances in communications technology, most especially the emergence of social media, which allows them to rapidly and widely share and reveal information that might otherwise pass unnoticed.

Twitter, Facebook and YouTube enable activists to diffuse information in a matter of minutes, so firms developing misleading marketing campaigns can be quickly identified and turned against online. The potential for damage to the reputation of the company is enormous.

### WALK THE TALK

- With the proven benefits of
- transforming company strategy into one that combats or reduces environmental damage, and the many inspiring stories of companies who have used innovation to improve environmental performance and efficiency, there is little to be gained from these negative practices in the first place.

3M, a world leader in scores of markets, was an early adopter of environmentally friendly practices. After facing significant lawsuits, they set up the Pollution Prevention Pays (3P) program in 1975, which took a preventative approach to pollution.

According to 3M, more than two million tons of air, water and waste

pollution have been prevented over the last 40 years.

In the case of Nestlé, the maker of Nescafé found a novel use for its waste coffee grounds. Steam generated by burning coffee grounds now provides power for Nestlé factories, representing about 27 percent of the company's renewable energy mix. The move also diverts millions of tons of former waste away from landfills. Nestlé's "zero waste" goal looks closer.

However, products and services need to be more than merely greener. They need to be better. Mondelez achieved just that when it revisited production processes. The company identified an opportunity to reduce packaging costs for its YES Pack commercial salad dressings through a new plastic container that used 28 percent less raw material and 50 percent less energy to produce. The new packaging became an instant success, but not because it was "more sustainable." The added value for customers and the popularity of the product came with the new design of the package which was bigger and easier to use.

Apparel company Patagonia has a long-standing commitment towards the environment that can be traced back to its very origins. Since 1985, the high-end brand has given at least one percent of its sales to environmental charities.

However, the company is best known for an ad purchased in the *New York Times* in 2011, where customers were encouraged not to buy one of its products. Patagonia's "Buy Less" campaign was actively denouncing the wasteful and consumerist society we live in, blaming our habits for diminishing the world's resources and stating people should not buy what they don't need. The company tied this in with its own clothes recycling campaign.

Although it seems as though Patagonia wants to accomplish two conflicting goals, having a profitable business while denouncing materialism and consumerism, the company's success challenges traditional

## SIX TIPS TO REMOVE THE WASH FROM YOUR GREEN

**1 Define what sustainability means to you.** In the words of **Paul Polman**, CEO of Unilever, “find a purpose or perish.” This first step is crucial to developing a realistic and relatable sustainability strategy. Identify how sustainability fits into your company’s supply chain and how it relates to the way you create value. Nestlé has done this to excellent effect.

**2 Ensure company-wide commitment.** The board of directors and CEO are crucial to providing leadership that helps all stakeholders get on board. It is amazing to see the impact that a genuine commitment from the top can have in the way organizations think and act.

**3 Establish goals and monitor results.** It will inevitably be necessary to accept some trade-offs between

economic and social results, and identifying a set of goals will then go on to help define the best metrics to measure results.

**4 Align your corporate governance structure.** The interests of owners and managers must be aligned with good corporate governance structures and compensation policies.

**5 Dialogue with customers and stakeholders.** Two-way communication is key. Patagonia’s bold approach is a perfect example of this.

**6 Collaborate with NGOs, policymakers, and industry peers.** Partnerships based on mutual interests go the distance. It’s a complex world and one worth saving.

business models. The idea of “profitable good,” which is embedded into their core business model, has boosted their value proposition. Evidently, Patagonia doesn’t just talk the talk, but walks the walk, setting an excellent example of how sustainability can drive profits by unlocking unique competitive advantages.

If the examples of 3M and Patagonia seem daunting, large-scale changes of processes or grand statements of intent are not always necessary. UK-based supermarket Sainsbury’s has been able to reduce its water use by 54 percent since 2006, just by improving efficiency in its stores, proving that simple incremental measures can go a long way, reducing not only the company’s operating costs, but its impact on the environment as well.

### REAL SUSTAINABILITY CAN PAY OFF

● Such success stories as those outlined here are within the grasp of any firm. Granted, the path is not an easy one, but with the right corporate commitment, green might just mean gold.

A change of mentality is certainly required, as CEOs recognize the

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need to actively manage social, environmental, and governance issues as part of their core business. Sustainability has become the new business imperative, a key to survival, yet a challenging way of approaching innovation, markets, and decisions.

By taking into account both the institutional forces at work in the wider world and the resources that you have in-house, your company can blaze a green trail and gain competitive advantage through environmental innovation. Short-term goals must give way to long-term visions, and sustainability can no longer be considered a marginal, almost separate, part of the company’s strategy, but must be seamlessly integrated.



**MORE INFORMATION:**  
Berrone, Pascual, *Green Lies: How Greenwashing Can Destroy a Company (and How to Go Green Without the Wash)*, CreateSpace, 2016.