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ORGANIZATIONS AND THE NATURAL ENVIRONMENT

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# After Greenwashing

Symbolic Corporate  
Environmentalism and Society



FRANCES BOWEN

CAMBRIDGE





## *After Greenwashing*

Businesses show their environmental awareness through green buildings, eco-labels, sustainability reports, industry pledges and clean technologies. When are these symbols wasteful corporate spin and when do they signal authentic environmental improvements? Based on twenty years of research, three rich case studies, a strong theoretical model and a range of practical applications, this book provides the first systematic analysis of the drivers and consequences of symbolic corporate environmentalism. It addresses the indirect cost of companies' symbolic actions and develops a new concept of the 'social energy penalty' – the cost to society when powerful corporate actors limit the social conversation on environmental problems and their solutions. This thoughtful book develops a set of tools for researchers, regulators and managers to separate useful environmental information from empty corporate spin, and it will appeal to researchers and students of corporate responsibility, corporate environmental strategy and sustainable business, as well as environmental practitioners.

FRANCES BOWEN is Professor of Innovation Studies at Queen Mary University of London. She is a leading authority on when and how companies innovate in response to current and future environmental regulation. She is the 2014 Chair of the Organizations and the Natural Environment (ONE) Division of the Academy of Management, and President-Elect of GRONEN, the Group for Research on Organizations and the Natural Environment.

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Symbolic Corporate Environmentalism  
and Society

FRANCES BOWEN  
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*For Susan,  
who helps separate my symbol from my substance.*



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## *Acknowledgements*

I decided to write this book when I returned to the United Kingdom from Calgary, Alberta, in 2011. I had spent eight years living, researching and teaching in the oil and gas capital of Canada. While there, I witnessed up close the environmental challenges associated with providing our current production system with energy and other natural resources. Concerns about dirty oil, pipeline safety, water scarcity, climate change, carbon pricing, fracking, sustainable resource development, rapid urban growth and the health of First Nations communities dominated Calgary's public conversation. Through my executive teaching, research interviews and Stampede breakfasts, I saw generous and authentic efforts by inspirational sustainability leaders to address those challenges head on. I also saw the struggles of individuals and companies that simply did not know how to address the green problems to which their industry contributed or how to talk about them.

What I observed in my time in Calgary was, for the most part, not deliberate 'greenwashing' – that is, positive green communication by companies without positive environmental performance – but rather something more systemic. Dismissing corporate attempts to engage with environmental issues as greenwashing is too easy. We need better tools to understand a fuller range of symbolic corporate environmentalism and its consequences for society. I am deeply grateful to the Calgary-based managers, executives, consultants, activists, regulators, colleagues and students who gave me access to the inside of Canada's oilpatch when I was there. Although there are not many direct references to this context, I could not have written this book without the often candid and off-the-record conversations with individuals struggling with how to improve the environmental performance of Calgary companies.

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Research on Organizations and the Natural Environment (GRONEN). Most recently, I received excellent feedback on the overarching frameworks presented in [Chapter 4](#) at seminars hosted at Queen Mary University of London (QMUL), the University of Bath, and the University of Cambridge. Innumerable conversations with generous colleagues in seminars, vineyards and pubs encouraged me to sharpen and refine my ideas about symbolic corporate environmentalism. These colleagues may not realize how carefully I listened to them, but I can recall specific ways in which the book has benefitted from pivotal conversations with Tima Bansal, Stephanie Bertels, Kate Blackmon, Olivier Boiral, Steve Brammer, Magali Delmas, Minna Halme, Aoife Brophy Haney, Volker Hoffman, Kate Kearins, Julian Kölbel, James Meadowcroft, Andrew Millington, Jonathon Pinkse, Natalie Slawinski, Mike Toffel, Connie Van der Byl and Alain Verbeke. I know there were others, too, and I hope that they will forgive my forgetfulness and accept my thanks in the form of an appropriate beverage when I next see them.

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## *Abbreviations*

BREEAM	Building Research Establishment Environmental Assessment Method
CCS	carbon capture and storage
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CO	carbon monoxide
CO <sub>2</sub>	carbon dioxide
CSR	corporate social responsibility
DECC	Department of Energy and Climate Change (UK)
DJI	Dow Jones Index
ENGO	environmental non-governmental organisation
EPA	Environmental Protection Agency (US)
EU ETS	European Union Emission Trading System
FSC	Forest Stewardship Council
G8	Group of eight of the world's largest national economies
GHG	greenhouse gas
GRI	Global Reporting Initiative
GRONEN	Group for Research on Organizations and the Natural Environment
IASB	International Accounting Standards Board
ICAP	International Carbon Action Partnership
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organisation for Standardisation
ITC	International Trade Commission
LEED	Leadership in Energy and Environmental Design
MC	marginal costs
MR	marginal revenue
NCD	Natural Capital Declaration
NGO	non-governmental organisation
NO <sub>2</sub>	nitrogen dioxide
NRBV	natural-resource-based view

NRDC	Natural Resources Defense Council
OED	Oxford English Dictionary
ONE	Organizations and the Natural Environment
PR	public relations
R&D	research and development
RBV	resource-based view
SFI	Sustainable Forestry Initiative
TV	technology value
UN	United Nations
USGBC	US Green Building Council
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
WTO	World Trade Organisation
WWF	World Wide Fund for Nature

# 1 | Introduction

Back in 2005, HSBC became the first large bank and the first of the one hundred largest companies listed on the London Stock Exchange to declare itself ‘carbon neutral’. The bank committed to reducing to zero its net carbon dioxide (CO<sub>2</sub>) emissions from more than ten thousand office buildings and from executive travel (Walck 2006). It planned to invest up to £4 million annually in planting trees, reducing energy use, buying green electricity and trading carbon credits to limit its CO<sub>2</sub> emissions (BBC 2004). Achieving carbon neutrality was intended to set a new benchmark in environmental performance for the financial services industry, a sector that had been slower to respond to calls for environmental improvement than more obviously dirty industries such as chemicals and oil. The bank was recognised as the ‘*Financial Times* Sustainable Bank of the Year’ in 2006 (*Financial Times* 2006).

Yet, HSBC was persistently criticised for this strategic environmental decision. HSBC’s own guidelines emphasised that it was reducing net rather than gross CO<sub>2</sub> emissions. The bank would continue to emit some CO<sub>2</sub> from dirty energy and staff travel and pay others to provide equivalent CO<sub>2</sub> reductions through carbon offsetting (HSBC 2011a). Greenpeace questioned whether planting trees is actually carbon neutral, asking ‘What if there’s a forest fire?’ (BBC 2004).<sup>1</sup> Other critics pointed out that HSBC’s commitments were related to emissions from its own banking operations, not the much larger indirect emissions arising from projects that the bank financed in carbon intensive industries (Gass 2011). Even HSBC’s commitment to ‘plant one virtual tree in our virtual forest’ for every account switched to a paperless Green HSBC Plus Account in 2007 backfired. A journalist noticed the HSBC fine print – ‘for every 20 virtual trees we promise to plant a real one’ – as well as a backlog of 400,000 virtual trees from the first two years waiting to be planted (Pearce 2009).

Responding to this criticism, HSBC withdrew its carbon neutrality commitment in 2011. What began in 2005 as a pioneering attempt

to lead the way in green banking had come to a messy end. HSBC was forced to explain its withdrawal from an environmental commitment made with such fanfare a few years earlier. Activists celebrated a victory over exposing a high-profile bank's flimsy environmental credentials. HSBC was highlighted along with other high-profile companies, from 'Apple to Coca-Cola, GE to McDonald's, and Starbucks to Walmart', as greenwashing their climate-friendly policies (Pearse 2012). Greenwashing misleads consumers about companies' environmental performance or the environmental benefits of a product or service, specifically by combining positive environmental communications with poor environmental performance (Delmas and Burbano 2011). Researchers and activists usually understand situations such as HSBC's carbon neutrality as greenwashing: the bank deliberately disclosed one element of its environmental performance (i.e., zero net CO<sub>2</sub> emissions) and withdrew from this commitment when activists exposed the mismatch between its proactive-sounding statements and much less favourable environmental impacts.

It is easy to dismiss firms' environmental activities as greenwashing that promises an advantage to the firm while imposing costs on society. However, HSBC's experiments with carbon neutrality highlight a tension in a company's role in mitigating society's environmental impacts. On the one hand, stakeholders demand environmental improvements and require evidence that firms are indeed taking seriously their environmental responsibilities. On the other hand, consumers and a broader range of stakeholders have developed a justifiable scepticism about the effectiveness of green solutions promoted by large corporations. Society is caught in a bind between needing better green information and a distrust of those who provide it. A shared language needs to be developed to describe corporate environmental changes; but, as the architects of change, firms can also influence the language used. New terms such as 'carbon neutral' can signify an abstract concept that was not needed before – that is, producing products or services with low or zero CO<sub>2</sub> emissions to combat climate change. The meaning of these new symbols evolves through conversations and interactions among many different actors in society. Sometimes firms can influence the symbols around corporate greening, sometimes they cannot. The new symbols may be socially useful or they may be a damaging distraction. Dismissing the symbolic aspects

of corporate environmental actions as deliberate greenwashing tells only part of the story.

The past two decades have given rise to an enormous range of symbols of corporate environmentalism. Firms are labelled as carbon neutral, sustainable, eco- or green. Products can be organic, dolphin-safe, recycled, reclaimed, low-energy, renewable, efficient or environmentally friendly. There are increasingly more sophisticated-sounding technologies, programmes, management processes, industry associations and labelling schemes to reassure stakeholders that firms are environmentally sound. Some of these symbols are greenwashing – that is, deliberate attempts to communicate positive environmental information not matched by improved environmental impacts. However, some are more than merely symbolic and actually signify environmental improvements. All corporate environmental activities have a symbolic component. We must develop tools to identify which are socially wasteful distractions and which may be initial attempts to promote green solutions so desperately needed to mitigate society's impact on the natural world.

In this book, I show that expanding research beyond greenwashing to a broader symbolic corporate environmentalism generates new research questions and implications for environmental strategy and policy. 'Corporate environmentalism' is defined as changes made by managers inside organisations that they describe as primarily for environmental reasons. 'Symbolic corporate environmentalism' is defined as the shared meanings and representations surrounding these changes. All environmental activities have a symbolic component as managers and others learn to describe the new environmental solutions they are adopting. New language, symbols, terms, labels and shared meanings evolve to signify the abstract idea of making changes to solve environmental problems. Some symbolic corporate environmentalism is 'merely symbolic' in the sense that the proactive-sounding symbols do not match with substantive environmental improvements. As discussed in the next chapter, greenwashing is a specific subset of symbolic corporate environmentalism in which the changes are both 'merely symbolic' and deliberately so. In this book, I expand conventional corporate environmental strategy research to include a broader range of symbolic activities after greenwashing. Symbolic corporate environmentalism includes not only greenwashing but also unintended,

merely symbolic activities and the symbolic components of environmental changes that actually have a positive, substantive impact on the natural environment.

Recasting HSBC's carbon neutrality through a symbolic corporate environmentalism lens provides a much richer explanation than dismissing it as greenwashing. HSBC chose to invest in a portfolio of green solutions, including adopting and maintaining the carbon neutral credential, launching green bank accounts, signing up to industry charters such as the Equator Principles, building the first Leadership in Energy and Environmental Design (LEED) Gold-certified buildings in Latin America and the Middle East to house its regional headquarters, keeping count of virtual trees and participating in an underdeveloped CO<sub>2</sub> offset market.<sup>2</sup> Despite these initiatives, the overall environmental footprint of HSBC's direct and indirect activities continued to rise. The bank placed a strategic bet that the carbon neutral label would be valued as a signal of environmental responsiveness as other firms and stakeholders better understood carbon management over time. HSBC may or may not have deliberately opened up a gap between the proactive-sounding carbon neutral label and its actual environmental performance. However, the net result was that carbon neutrality did not develop as a valuable asset as the firm had initially envisioned.

Condemning HSBC's actions as greenwashing implies that society would be better off now that the limitations of its version of the carbon neutrality label has been exposed. Taking a broader symbolic corporate environmentalism perspective suggests that the social impact may not be so simple: over time, HSBC's withdrawal might slow the development of proactive environmental management in the banking sector. Stakeholders may have lost the opportunity to challenge more banks to examine their carbon footprints by considering whether they could reduce carbon emissions like their sector leaders. Society needs experiments such as the carbon neutrality label to improve environmental performance. Yet, withdrawing from a public commitment can damage a firm's credibility and limit the learning gained from these experiments. The frameworks described in this book provide the analytical tools for evaluating why HSBC first opted in and then out of carbon neutrality, as well as the social consequences of those decisions.

As environmental issues have spread into the business mainstream, the symbolic component of corporate environmentalism has become increasingly pervasive. There are now more than four hundred active