Greenwashing in Corporate Social Responsibility

Subjects: Business
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1. Introduction

Empirical research overwhelmingly suggests that corporate social responsibility (CSR) initiatives enhance a company's image and foster stronger identification from consumers, resulting in beneficial relational outcomes [1][2]. As such, CSR has emerged as a pivotal area of focus, with an increasing number of companies prioritizing its integration into their operational strategies. Nonetheless, because of the dual factors of corporate legitimacy and the pressure exerted by stakeholders, some companies use their CSR disclosures to screen positive impressions and good images, known as greenwashing [3][4][5].

The definition of greenwashing differs. While earlier scholars primarily associated greenwashing with environmental issues [6], other research suggests a broader scope, linking it to stakeholder relations and societal challenges [7]. Given that CSR encompasses diverse activities—from environmental conservation and employee welfare enhancement to product investment and charitable donations—it is clear that greenwashing in CSR extends beyond merely environmental concerns. Therefore, this research adopts the definition proposed by Li et al. (2015) [7] and defines greenwashing in CSR as the excessive whitewashing of CSR, such as charitable donations, environmental protection promotions, and employee benefits, exaggerating or falsely disclosing deceptive information about CSR. To some extent, greenwashing is perceived as a negative CSR implementation, which is superficially positive but essentially disobedient and deceptive.

Greenwashing is a hypocritical social responsibility behavior [4]. The primary aim of greenwashing behaviors is to modify stakeholder perceptions, thereby bolstering a company's image and reputation [8][9][10]. Yet, constrained by limited resources and facing pressures from society and stakeholders alike, companies might disseminate CSR information that does not align with their actual practices [11]. When stakeholders discern these greenwashing tactics within CSR initiatives, it can lead to negative consequences.

One of the most direct consequences of greenwashing is the growing skepticism among consumers about the genuineness of CSR claims [12][13][14]. Greenwashing can also lower consumers' brand perceptions [15], decrease consumers' green trust [16], and affect green purchasing intentions negatively [17]. Empirical studies also find that greenwashing disrupts the market order [18], harms a firm's financial health [19], backfires on the firm itself [12], and affects cumulative abnormal returns (CAR) as well as corporate reputation negatively [20][21]. Greenwashing may also evolve into machinewashing, a phenomenon seen as communicating or omitting misleading information about ethical Artificial Intelligence (AI) through text, visuals, or the underlying algorithm of AI itself [22]. Consequently, greenwashing can turn CSR, which was originally a noble act of charity, into a meaningless effort [23].

Prior studies have enhanced the understanding of the consequences of greenwashing in CSR. Existing literature delves deeply into the consequences of greenwashing from both consumers' and companies' perspectives; however, the consequences on employees remain largely unexplored. As primary stakeholders, employees' trust and identification with the company play pivotal roles in shaping company performance and future prospects. By exploring the consequences of greenwashing on employees, companies can gain a more nuanced understanding of its potential damages so that better advance approaches to improving their socially responsible human resource management (SRHRM) [24], establishing inclusive social responsibility [25], and enhancing communication systems among employees [26]. This perspective could guide companies in crafting effective CSR strategies, mitigating the risks associated with greenwashing, and strengthening the relationship between employees and the companies.

Another consideration is that greenwashing in CSR research has almost exclusively relied on a catchall construct [10][16]. This approach treats CSR as an overall activity and examines the consequences of greenwashing under this overall activity, despite CSR being manifested in philanthropic CSR, business-process CSR, social alliance CSR, and value-chain CSR facets [27][28]. Given that these facets target different stakeholders, the consequences of greenwashing could differ considerably. Examining greenwashing in a catchall construct cannot answer the question of whether and how greenwashing in different facets of CSR leads to different responses among employees.

2. CSR Activities and Stakeholder Theory

CSR activities commonly manifest in forms such as business-process CSR and philanthropic CSR. Business-process CSR emphasizes a sustainable value chain and employee support programs, while philanthropic CSR primarily aims to assist those in need, non-governmental organizations, and disadvantaged groups through monetary donations and the provision of supplies. Building on this foundation, previous research differentiated CSR into two categories: business-process and philanthropic CSR [28]. In addition to these activities, important CSR activities also encompass value-chain CSR and social alliance CSR [29]. Unlike business-process CSR, value-chain CSR includes the value-chain stream from the upper to the lower and from the supply side to the customer side [27]. Specifically, it focuses on supply-chain management, R&D of the products, and marketing processes in order to achieve financial success. Social alliance CSR aims to address common social issues (e.g., global warming or cancer awareness) while building strategic partnerships between companies and external stakeholders based on a set of norms and rules. Synthesizing these categorizations, prior research further reclassified CSR activities into traditional CSR (comprising philanthropic and business-process CSR) and shared-value CSR (comprising social alliance and value-chain CSR) [27]. However, in this evolving understanding of CSR classifications, prior research has overlooked the pivotal role of stakeholders, who stand as the primary entities to whom CSR activities are accountable [30].

Stakeholders are not only the primary focus of CSR but also the critical evaluators of its effectiveness [30]. According to the stakeholder theory [31], stakeholders are composed of primary and secondary stakeholders. The former refers to those with urgent, legitimate demands on companies, possessing the ability to directly influence business activities. The main primary stakeholders include employees, customers, suppliers, and investors. The latter also refers to those who have urgent, legitimate requirements for companies but can only influence primary stakeholders and have no capability to impact business activities. The main secondary stakeholders include non-governmental organizations, governments, non-profit organizations, and competitors.

From the stakeholder perspective, distinct CSR activities target different stakeholders. Business-process CSR serves primary stakeholders since it treats employees in a socially responsible way and takes consumers' demands into account. Philanthropic CSR serves secondary stakeholders by providing monetary or equipment donations to non-profit organizations and non-governmental organizations. Value-chain CSR mainly considers the management of the supply chain and the development of new products to satisfy consumers' needs; therefore, it serves primary stakeholders. Social alliance CSR targets secondary stakeholders in order to provide resource and financial support to non-profit organizations and non-governmental organizations. It is reasonable to consider business-process and value chain CSR as the same category of CSR and philanthropic and social alliance CSR as the same category of CSR. Therefore, this research classifies CSR into primary-stakeholder-oriented CSR and secondary-stakeholder-oriented CSR.

3. Greenwashing in CSR

Historically, scholars posited that greenwashing primarily involved the dissemination of misleading information by a company to stakeholders about the environmental friendliness of a product or service and the company's environmental protection initiatives—one dimension of CSR [32]. Some academics further argued that claims that have neither been verified by credible third parties nor by evidence are another key point of greenwashing [33][34]. For example, BP Amoco was denounced at an Earth Summit due to its frequent claims on reducing global warming but with fewer behavior efforts. These early perspectives predominantly perceived greenwashing as false communication, a sign of a mismatch between words and deeds [33][34][35]. Yet, greenwashing does not necessarily have to be a false communication [5]. Instead, a selective positive information disclosure about a company's CSR without fully disclosing negative information is another candidate for greenwashing [36][37]. An illustrative example might be companies marketing their cleaning products as "all-natural", even when their manufacturing processes contradict this assertion. It can be concluded that greenwashing in CSR has two main premises: one is the mismatch between CSR claims and CSR behavior, and another one is exposing positive CSR information while retaining negative CSR information. The manifestation of greenwashing is evident when either of these foundational principles is breached.

CSR serves either primary stakeholders, secondary stakeholders, or both. Companies can invest their resources into primary-stakeholder-oriented CSR, which might encompass employee development programs or the enhancement of workplace environments [38]. Alternatively, companies might invest in secondary-stakeholder-oriented CSR, addressing broader environmental or societal challenges [39]. Notably, as core stakeholders, employees exhibit diverse reactions to these different types of CSR [11][40][41]. Consistent with the primary and secondary-stakeholder-oriented CSR distinction, this research assumes that employees will react differently to greenwashing occurring in different CSR types. Specifically, this research differentiates between greenwashing in primary-stakeholder-oriented CSR and greenwashing in secondary-stakeholder-oriented CSR. Greenwashing in primary-stakeholder-oriented CSR is defined as a mismatch between the “talk” and “walk” in primary-stakeholder-oriented CSR, or excessive whitewashing, exaggeration, or false disclosure of false information about primary-stakeholder-oriented CSR. Greenwashing in secondary-stakeholder-oriented CSR is defined as a mismatch between the “talk” and “walk” in secondary-stakeholder-oriented CSR or excessive whitewashing, exaggeration, or false disclosure of false information about secondary-stakeholder-oriented CSR.

4. Consequences of Greenwashing in CSR

Prior research has delved into the intricacies of how a company’s CSR endeavors influence its employees. Aguilera et al. (2007) [42] differentiated an instrumental and a relational mechanism. The instrumental mechanism suggests that stakeholders are motivated to seek control to foretell a company’s actions more accurately. When companies implement primary-stakeholder-oriented CSR—evidenced by initiatives like improved working conditions or employee development programs—employees feel they are being treated in a socially responsibility way. This fosters trust in the company [43]. A relational mechanism holds that stakeholders have a psychological need—the need to belong. Beyond just being treated fairly, employees also desire their companies to act responsibly towards the broader community, including entities like non-governmental organizations and non-profit organizations. As companies engage in secondary-stakeholder-oriented CSR, employees’ identification with the company will be enhanced. The former mechanism is akin to a trust-based path, whereas the latter mechanism is similar to an identification-based path. In a similar vein, prior research empirically showed that business-practice CSR fosters stakeholders’ trust, while philanthropic CSR enhances identification [44]. Contrary to the positive consequences of different CSR types, greenwashing in primary-stakeholder-oriented CSR may erode employees’ trust (an instrumental consequence), while greenwashing in secondary-stakeholder-oriented CSR could diminish employees’ identification (a relational consequence).

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