

Delivering enduring environmental credibility

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By adopting an optimal environmental policy, firms can gain an edge over their competitors and earn credibility.

Environmental issues, once the sole realm of tree huggers, dominate headlines today. Organizations such as Greenpeace and Friends of the Earth exert greater influence on the media, governments and entire industries. This means that firms can no longer afford to ignore the impact that their environmental policy is having on their public image, let alone their long-term survival. The key to gaining an edge over competitors, in terms of environmental credibility, lies in choosing the most effective course of action.

In their working paper, "The Impact of Symbolic and Substantive Actions on Environmental Legitimacy," IESE's [Pascual Berrone](#) and Carlos III University's Liliana Gelabert and Andrea Fosfuri examine the impact of various actions taken by firms to manage their environmental credibility, when faced with an increasingly influential and knowledgeable group of interested parties.

Symbolic and concrete actions

The actions fall broadly into two categories: symbolic and concrete. Managers tend to take symbolic actions in reaction to outside pressure from various stakeholders, such as customers and regulatory bodies. Such actions tend to be highly visible - for example, employing environmental labels such as "green" and "eco" - while causing minimum disruption to the firm.

Concrete actions, on the other hand, tend to involve structural changes to the firm's processes. Examples include introducing new production processes or technological innovation to reduce pollution. Actions of this kind have long-term consequences.

A crucial difference, in comparison with previous research, is that the authors are now able to analyze the relative effectiveness of each of these approaches in the long and short term, by looking at results over a period of time, in this case 1997 to 2002.

The authors analyzed a sample of 167 firms belonging to the 20 most polluting sectors, as singled out by the U.S. Environmental Protection Agency (EPA). They examined the impact that both symbolic and concrete actions have had on these firms' environmental credibility, measured in terms of favorable press coverage in *The Wall Street Journal*. Their findings highlight the way forward for a successful environmental management strategy.

Actions speak louder than words

First, as would stand to reason, concrete actions speak louder than symbolic gestures. Concrete measures - such as pollution-prevention strategies and investing in new products or technologies that reduce toxic waste - contribute more significantly to a firm's environmental credibility.

Symbolic gestures, on the other hand - such as participation in voluntary government programs, encouraged by agencies such as the EPA, introducing environmental pay policies and adopting green trademarks - do not stand out as being particularly effective measures. In fact, some of these symbolic actions (e.g., the presence of an environmental committee in the board of directors) actually registered a negative impact on credibility.

The only significantly effective symbolic gesture that stands out is communication with the community. The emphasis on reporting is due to the growing influence of shareholders, an increasingly socially conscious group.

Word and deed

Though symbolic gestures alone do little, when taken together with concrete actions, they can deliver results. In fact, the analysis reveals that symbolic gestures have a markedly positive impact only when accompanied by concrete actions.

Clearly, separating symbolic gestures from concrete actions in sectors known to cause pollution is a risky strategy to adopt. Firms that cannot demonstrate their stated commitment

to the environment will only open themselves up to damaging accusations of hypocrisy and cynicism. Moreover, precisely because symbolic actions are more visible, they can be viewed as opportunistic.

However, the visibility of symbolic actions can work in your favor: if such actions are accompanied by consistent concrete actions, the resulting impact on credibility is all the greater.

Substantial changes harder to copy

Firms may get away with making the right sounds, reassuring customers that they are taking action - but only in the short term. Long term, if they do not deliver, they are likely to be exposed, especially given the growing awareness of customer groups. The damage to their credibility will be all the greater for the delayed effect.

Another problem with symbolic actions is that, because they are visible and presumably cheaper, they are easier to copy. This also makes the benefits of employing such measures relatively short-lived as competitors get in on the act.

Yet if the firm tries to make a real difference to the environment, say by changing its production processes, this eventually becomes part of the firm's organizational capability as well as its image. Processes that evolve over time in this way are harder to imitate. New products or technologies created by a firm can be patented and help the firm differentiate itself from its competitors. The credibility of the firm is, therefore, even more enduring.

A fine balance

What all this shows is that minimum effort, in the form of symbolic gestures alone, will not give firms enduring environmental credibility; instead, it lays them open to accusations of deceitfulness. This is especially the case for firms in industries notorious for their pollution.

Concrete actions, which may involve more investment of both time and resources, offer sizeable and long-lasting rewards.

Given this, the most effective approach for a firm looking for sustained environmental credibility, according to the authors, is one that balances both elements: harnessing the symbolic value of the green message by delivering it through consistent concrete action.

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