Stop greenwashing: A manager's guide

Telling "green lies" doesn't pay, as Volkswagen recently found out. Pascual Berrone's new book helps companies answer the "clear call for change," for sustainability's sake.

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In September 2015, Volkswagen was caught using a software program rigged to cheat emissions testing in 11 million diesel-powered cars around the world.

Volkswagen's diesel-emissions scandal is a textbook case of greenwashing, where a company makes false or misleading claims regarding the environmental impact of its products or practices. And because customers' interest in sustainability is running high, "green" marketing continues to tempt all stripes of companies these days.

In his book, *Green Lies: How Greenwashing Can Destroy a Company (and How to Go Green Without the Wash)*, **Pascual Berrone** investigates the origins and consequences of greenwashing and offers proactive alternatives. Real sustainability can pay off, Berrone argues. He believes that, with the right corporate commitment, going green can also be profitable.

Truth, lies and consequences

That said, becoming a truly green company requires substantial resources, time, and risk-taking, leading to some firms taking the greenwashing (shortcut) approach.

Those guilty of painting green over something more like black should be reminded that the negative fallout can be enormous. Notably, for Volkswagen the costs of its emissions scandal have run very high — with hits to its reputation, the loss of its CEO and other senior executives and a shrinking market value. On top of all that, compensation claims loom on the

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horizon.

This leads Berrone to question: do green lies ever pay off? The short answer is no.

How to spot greenwashing

Berrone looks at greenwashing at the product level and at the firm level. For product deceptions, Berrone revisits the "seven deadly sins" of greenwashing, as devised by the environmental marketing firm TerraChoice.

1. **Sin of the hidden trade-off:** This is marketing a product as friendly to the environment based on a very narrow band of environmental attributes (such as recycled content) while completely ignoring other larger issues or trade-offs (such as polluting manufacturing processes). This type of greenwashing is the most common.
2. **Sin of irrelevance:** A claim that might be true, but remains unhelpful for customers seeking truly environmentally friendly products.
3. **Sin of no proof:** Here, the company makes claims about a product that aren't necessarily false, but are also unverifiable. For example, Mobil Chemical Company was sued for advertising a range of "degradable" garbage bags with claims they would break down into harmless particles even after they were buried in landfills, while failing to provide evidence of this.
4. **Sin of fibbing:** Claims that are simply false.
5. **Sin of vagueness:** Using words like "natural" or "eco-safe" when they are poorly defined or just too broad to be meaningful.
6. **Sin of "lesser of two evils"**: A claim that could be true within the product category, but distracts the consumer from the greater environmental impacts of the category as a whole. An example might be "fuel efficient sport-utility vehicles."
7. **Sin of worshipping false labels:** Labels and certification schemes can imply legitimacy as well as third-party verification where there is none. In 2009, SC Johnson & Son was accused of misleading consumers regarding the cleaning product Windex, which was labelled with the company's own GREENLIST trademark.

At the firm level, Berrone looks to Greenpeace's four types of greenwashing transgressions:

1. **Dirty business:** Firms that are guilty of promoting their environmental program or product, while their core activity is polluting or unsustainable. BP's "Beyond Petroleum" campaign boasted they were investing $1.5 billion a year in "alternative energy," while 93 percent of their investments were still in oil.

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2. **Ad bluster:** This is using targeted advertising and PR campaigns to exaggerate an environmental achievement and divert attention from environmental problems. General Motors' 2007 "Gas-Friendly to Gas-Free" campaign advertised five ways Chevrolet was greening its fleet. Meanwhile, vehicles with improved efficiency represented a minimal amount of the 9.3 million cars GM produced, as Greenpeace noted.
3. **Political spin:** Some companies publicize green commitments while simultaneously lobbying against pro-environment laws and regulations. One example cited is General Electric's "Eco-Imagination" campaign in 2005, in which the company advertised progress made in the environmental arena. In 2000 GE had gone as far as the U.S. Supreme Court to fight the new clean air Environmental Protection Agency (EPA) requirements.
4. "**It's the law, stupid!**": This is when a company has been forced by law to make changes yet makes claims suggesting it was acting proactively and voluntarily.

To this list of four, Berrone adds a fifth — "fuzzy reporting" — as an increasingly common transgression he observes. In the business world, many companies are making corporate sustainability reports that are essentially meaningless due to the current lack of harmonization in CSR frameworks. As a result, stakeholders remain uninformed about the social and environmental performance of many companies.

Walk the Talk

After defining greenwashing strategies and trends, the book turns to the drivers, at the root of it all. Concluding on a positive note, Berrone puts forward proactive alternatives and looks at several companies that successfully altered their unsustainable practices, including 3M, Nestlé, Mondelez and Patagonia.

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.

To inspire more success stories, Berrone offers six steps to help achieve sustainability:

1. **Define what sustainability means to you**. This first step is crucial to develop "a realistic and relatable sustainability strategy," the professor of strategy notes.

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Identify how sustainability fits into your company's supply chain and how it relates to the way you create value.

2. **Ensure company-wide commitment**. The board of directors and CEO are crucial to provide leadership that helps all stakeholders get on board.
3. **Establish goals and monitor results**. Noting that it will be necessary to accept some trade-offs between economic and social results, Berrone emphasizes that the goals will then define the best metrics to measure results. Don't forget to monitor and 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 and Ikea are cited as positive examples for t
heir outreach.
6. **Collaborate with NGOs, policymakers, and industry peers**. Partnerships based on mutual interests go the distance. It's a complex world well worth saving.

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