

OIKOS NOMOS VS. OIKOS LOGOS? **TOWARDS THE ALLIANCE** **BETWEEN BUSINESS MANAGEMENT** **AND ENVIRONMENTAL** **SUSTAINABILITY**

Introduction

Environmental sustainability is often conceived as a moral duty. Definitely it is, but this does not give a complete overview on its meaning, especially if it is interpreted in an economic perspective.

Paying attention to the environmental dimension is not always a prerogative for companies, because it is traditionally considered a source of costs. In fact the environment and the economy intersect each other for some reasons.

First of all, from a linguistic point of view, the word “economy” derives from the Greek *οἶκος* (oikos), which means “house” and *νόμος* (nomos), which is “managing”. In other terms this concept is linked to the management of natural resources on our planet (which represents the common house) and, not by chance, it has the same root of the word ecology: the economy cannot be concretized without the presence of natural resources. This means that the economy and the environment are not in conflict but, on the

contrary, they are complementary. If the environment dies, also the economy perishes.

Nowadays the concept of green sustainability is becoming more and more popular, so that many companies are trying to change their way to conceive their activity in a more ecological way. This is also a consequence of a greater consciousness by the consumers, regarding the need of a more sustainable society. Companies, from this point of view, want to communicate their green revolution also in order to be awarded by consumers.

This work is aimed to describing:

- 1- the theoretical studies which support the idea that being sustainable is more favorable than being unsustainable;
- 2- the concrete approach of companies to the green issue (concrete actions, communication...);
- 3- the phenomenon of greenwashing.

Green revolution: cost or opportunity?

One of the most relevant work in this research area is that of Porter and van der Linde (1995, 2001), who reflected on the nature of green sustainability: does it represent a cost or an opportunity? First of all they assert that a sustainable conduct is an innovation factor for a company, since it assures competitiveness; moreover, according to them, companies which move up their competitors in introducing green innovations gain a particular advantage, named “early mover advantage”, which allows them to be the forefront in the market. These scholars, indeed, observe how deep is the relationship between the environment and the economy, so that a green approach ensures a long term survival to the companies: in other terms they state that being green is an opportunity for companies and not, superficially, a cost.

Definitely in a first phase adapting the structure to the new green technologies requires huge investments, but a

forward-looking company has to reflect on the advantages in the long term, which is the real objective for a firm. This line is also followed by Nidumolu et al. (2009), who underlined how, in the future, the green choice will allow company to lower their costs: the perspective is, once again, the long term period. In order to modify the companies' way to conceive the economical activity into a greener one, these scholars propose a series of steps to follow to reaching a green approach:

- 1- conceiving environmental regulations as an opportunity
- 2- involving all the supply chain in this perspective
- 3- planning products and services in a more sustainable way
- 4- creating new business models
- 5- building next practice platforms.

A research paper which is particularly interesting to analyze, in order to clarify how a pro-environmental philosophy is economically convenient in addition to its moral value, is that of Miles and Covin (2000). In this work, which is a literature review, they categorise a series of scientific studies which support the idea that a green behaviour has a positive influence on the company and those which support the contrary. On the basis of their findings, the most of scientific literature endorses the positive association between an environmental friendly marketing and financial performances, in particular Russo and Fouts (1997), who studied 477 companies, and McGuire et al. (1988).

The benefits of a green conduct, according to Miles and Covin, are also related to the reputational sphere, which is strictly linked to some fundamental aspects for a company. As a matter of fact a superior reputation means, for example, a better product/brand position, lower costs in terms of distribution, less price dealing for industrial goods. The same Miles and Covin (2000) distinguish two approaches: the compliance and the strategical models. The first one reveals a company which conceives environmental investments as a

cost, so it meets only the environmental standards defined by laws; the strategical model, on the contrary, reveals a more competitive approach, as a matter of fact the companies which follows this model figure out the opportunities and invest to get better environmental performances.

It is necessary to underline that the sustainable turn is not a prerogative of large companies but, on the contrary, it can represent an important factor of economic growth also for medium and small enterprises: an interesting research is that of Moore and Manring (2009), who asserted that sustainability is an opportunity for them, in particular they specified three general reasons which could allow small and medium enterprises to gain a competitive advantage through a sustainable strategy: first of all they could become investment target for large companies, then they could organize a network in sustainable markets where larger firms are less involved, finally they could be suppliers in a global sustainable market. Hart and Milstein (2003), starting from the analysis of shareholder value have developed a Sustainable Value framework which distinguishes four main strategies and their consequent benefits: in particular the first quarter of their matrix is related to policies of pollution prevention, which generate a decrease of risks and of some costs, such as those connected to raw materials and waste disposal; the second quarter refers to the product stewardship, which involves various stakeholders along all the business process and this could induce firms to improve their activities, with positive consequences on reputation and legitimacy; the third quarter concerns to clean technologies, which represent an opportunity for enterprises to adapt their internal competencies to sustainability standards, causing an enhancement on their environmental impact and on their innovation status; finally the fourth quarter refers to sustainability vision, in order to identify new markets for business growth.

Measuring environmental sustainability: is it possible?

As observed, the concept of environmental sustainability is becoming more and more popular in the business world. From this perspective science is trying to understand how to express quantitatively the efforts of the companies in turning their activity into a greener one. There are a series of indicators mainly indicated in Iso 14031, which contains the guidelines to evaluate the environmental performances, as exemplified here (Jasch, 1999):

Management performance indicators

- 1) Implementation of policies and programs: achieved objectives and targets; participation of employees in environmental programs; number of recycling products;
- 2) Conformity: degree of observance of compliance;
- 3) Financial performance: environmental costs, savings deriving through an environmental friendly approach, research and development funds used for environmental projects;
- 4) Community relations: number of environmental educational programs and number of sites which publishes sustainability reports.

Operational performance indicators

- 1) Materials: quantity of materials used; quantity of recycled materials used; quantity of water used;
- 2) Energy: energy used per unit of product; energy saved;
- 3) Services supporting the organization's operations: recyclable materials used and waste produced by service providers;
- 4) Products: number of recyclable products; presence of environmental safeguard instructions.

However, despite the evolution of science in this field, nowadays the environmental dimension is not specifically contemplated in accounting. However there is a particular document through which companies can communicate their eco-friendly commitment: that's the sustainability report.

According to Lozano and Huising (2011) a sustainability report is a voluntary activity with two general purposes: (1) to assess the current state of an organisation's economic, environmental and social dimensions, and (2) to communicate a company's efforts and Sustainability progress to their stakeholders". In other terms through this report companies can communicate their green concrete actions, integrating them with the other dimensions of sustainability, that are the social and the economic ones. Large companies use this tool more and more frequently (Baldassarre and Campo, 2016). The most used standard to complete this report is represented by the GRI (Global Reporting Initiative) guidelines. One of the limit of this document is the lack of an objective measure to define if the divulged information are totally real, partially real or totally false.

The question of greenwashing: examples and insights

The attitude of a company to communicating false information regarding its sustainable commitment is called "greenwashing". This word is the crasis of "green" and of the verb "whitewashing", so its meaning is literally giving a green appearance, concealing a bad conduct in environmental terms presenting it as positive.

Greenpeace¹ identifies 4 forms of greenwashing: (1) dirty business, when firms show some green steps but

¹ <http://stopgreenwash.org/>

basically their production is unsustainable; (2) ad bluster means exaggerated green claims in marketing communication when companies spend more money on advertising than on real green actions; (3) political spin reflects to the hidden lobby against stricter environmental regulation; (4) when firms communicate their environmental actions as virtues although they only fulfil the legal requirements.

Lyon and Maxwell (2011) define greenwashing as the selective disclosure of positive information without full disclosure of negative information so as to create an overly positive corporate image. The main features of greenwashing activity are: (1) an information disclosure decision, (2) deliberate, (3) initiated by companies, and (4) beneficial to firms and costly to society.(Bowen and Aragon-Correa, 2014)

Obviously a false communication can have very negative consequences on a company, because its reputation risks to be undermined. Some concrete examples can give an idea of the seriousness of this phenomenon.

Volkswagen: this German company has been accused by the US Environmental Protection Agency (EPA) of installing an emission control system in vehicles produced during the period 2009-2015, violating the Clean Air Act (Barrett et al., 2016). In this way the real emissions would have been hidden, resulting lower in the laboratory test. The economic consequences have been huge, so that in the third semester of 2015 the company was at a loss, the first time in 15 years², and the CEO Winterkorn and some managers

² <http://www.ilsole24ore.com/art/mondo/2015-10-29/caso-volkswagen-primo-rosso-15-anni-063750.shtml?uuid=ACPLiRPB&fromSearch>.

resigned³. Even if in terms of sales the German giant has not undergone negative consequences (except in the US), reason for which its image has remained intact, the so called “dieselgate” has had heavy effects in terms of reimbursement⁴.

BP: this oil company was involved in an incident in the gulf of Mexico in 2010, in particular its oil rig, Deepwater Horizon exploded, causing a huge environmental disaster and the death of some workers (Lombardo, 2012). After this catastrophe this company had to face an enormous expenditure of reimbursement and to change its marketing communication profile, in order to convey a new image.

To prevent such greenwashing cases, Baldassarre and Campo (2016) suggest a self-assessment matrix to companies that allows to identify a better way to make sustainability a source of competitive advantage through a transparency-based approach. The two dimensions of the matrix are “being sustainable” and “appearing sustainable”. By way of a geological metaphor, four types of companies are presented that are distinctive based on two variables: sustainable commitment and communication. Costs and benefits are analyzed for each quadrant, as well as problems resulting from a lack of transparency. A transparent company suits both, but for opaque companies to appear is more important than being sustainable. Companies can approach this issue in different ways, choosing whether to publicize their good conduct or to project a responsible attitude that does not reflect what they effectively achieve.

³<http://www.ilsole24ore.com/art/finanza-e-mercati/2015-11-03/volkswagen-scoperte-irregolarita-altri-800mila-veicoli-danni-potenziati-2-miliardi-191929.shtml?uuid=ACUTuoSB>.

⁴ http://www.auto.it/news/news/2016/07/29-387505/dieselgate_o_no_le_vendite_del_gruppo_volkswagen_umentano/?cookieAccept.

VW has to work honestly on changing its position in this matrix in the future. Communication, in fact, forms the basis of sustainability marketing. Particularly, effective internal communication in a company facilitates the implementation of key changes that would make the organization more sustainable. Furthermore, a company that fails to communicate its strategies and initiatives externally (to all stakeholders), risks losing customers as potential customers are increasingly socially and environmentally-conscious

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ABSTRACT

OIKOS NOMOS VS. *OIKOS LOGOS*? TOWARDS THE ALLIANCE BETWEEN BUSINESS MANAGEMENT AND ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is a topic that is increasingly becoming popular and companies are not excluded from this phenomenon. On the contrary, their responsibility towards environment is increasingly in the public eye, so that the same companies pay more and more attention to communicating their commitment to all stakeholders in order to improve their image and reputation. Furthermore, from a scientific point of view, a growing array of studies also investigates how to measure sustainability with the aim of defining more accurate indicators of the environmental impact generated by companies.

This work has a threefold objective: 1) highlighting firstly the compatibility between the companies' activities and green strategies through the analysis of those studies that demonstrate the benefits of implementing eco-sustainable practices; 2) describing the approach actually implemented by the companies; 3) description of the phenomenon of greenwashing that is a kind of communication through which some companies try to appear eco-sustainable, even though they are not. In the final part of the work some cases of greenwashing are exposed, specifying the negative consequences they have sparked. The relationship between ecology and economics is, indeed, not contrasting but, on the contrary, strongly symbiotic, from the etymological origin of the two terms to the positive effects produced by green strategies, as demonstrated by many studies in literature.

RIASSUNTO

OIKOS NOMOS VS. OIKOS LOGOS? L'ALLEANZA TRA GESTIONE D'IMPRESA E SOSTENIBILITÀ AMBIENTALE

La sostenibilità ambientale è un tema di cui si parla in maniera sempre maggiore e le imprese non sono escluse da questo dibattito. Al contrario, la loro responsabilità nei confronti del patrimonio ambientale è sempre più sotto i riflettori, tanto che le stesse imprese sono sempre più attente a comunicare a tutti gli stakeholder il loro impegno, per poter anche migliorare la propria immagine e la propria reputazione. Dal punto di vista scientifico, inoltre, un crescente filone di studi si occupa di investigare come misurare la sostenibilità, con la finalità di definire indicatori più precisi relativamente all'impatto che le imprese hanno sull'ambiente.

Questo lavoro ha un triplice obiettivo: 1) evidenziare innanzitutto la compatibilità tra attività di impresa e rispetto dell'ambiente attraverso l'analisi di quegli studi che testimoniano i vantaggi derivanti dall'attuazione di pratiche eco-sostenibili; 2) descrivere l'approccio effettivamente implementato dalle aziende; 3) descrizione del fenomeno del greenwashing, ossia di quella modalità di comunicazione attraverso cui alcune imprese cercano di apparire eco-sostenibili pur non essendolo. Nella parte finale del lavoro vengono esposti alcuni casi di greenwashing, specificando le conseguenze negative che hanno scatenato. Il rapporto tra ecologia ed economia non è quindi contrastante ma, al contrario, fortemente simbiotico, a partire dall'origine etimologica dei due termini sino agli effetti positivi derivanti dalle strategie verdi, dimostrati da molti studi presenti in letteratura.