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Fall 12-2022

Employees' Response to Corporate Greenwashing

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Citation of this paper:

Robertson, J. L., Montgomery, A. W., & Ozbilir, T. (2023). Employees' response to corporate greenwashing. *Business Strategy and the Environment*, 1– 13. <https://doi.org/10.1002/bse.3351>

Employees' Response to Corporate Greenwashing

Keywords: Greenwashing; Environmental Communication; Corporate Hypocrisy; Internal Stakeholders; Micro-CSR

Abstract

Research on corporate greenwashing has expanded rapidly in recent years. At the same time, emerging studies in related literatures have found that employees are seeking out firms that are social and environmental leaders, and employee activism within firms is growing. However, the effect of firms' exaggeration and misrepresentation of environmental claims, or greenwashing, on their own employees has been overlooked. Accordingly, we investigate greenwashing from an organizational psychology lens, exploring the impact it can have on employees, and whether these effects differ for different types of employees. Using data collected at three separate time points from a sample of employees educated in environmental science/sustainability, our results show that greenwashing was positively related to perceptions of corporate hypocrisy, which in turn, resulted in higher turnover intentions. We also found that these relationships were moderated by employees' level of environmental education. By uncovering the deleterious effects greenwashing can have for employees and, by extension, for their employers, these findings generate insights into the extent to which corporate environmental communications can backfire.

Employees' Response to Corporate Greenwashing

In the spring of 2019, over 8,700 Amazon employees signed an open letter to their CEO, Jeff Bezos, demanding the company take concrete and equitable action on climate change. Posted online on Medium¹, the letter was remarkable both in that it illustrated a growing role for employees as key activists and outspoken corporate stakeholders, but also because it was based on insider knowledge (Briscoe & Gupta, 2016) of the company's claimed environmental policies and practices. Although not using the term, the letter explicitly outlined several instances of Amazon's greenwashing, pointing to empty promises on the firm's Shipment Zero plan, donations to climate-denying legislators, and support for expanding and accelerating oil and gas extraction. With insider knowledge and the rare opportunity to look behind the 'emerald curtain' of their employer's environmental communications, employees were not impressed.

Amazon, however, is by no means alone in their corporate greenwashing. According to Ogilvy and Mather, greenwashing is reaching "epidemic proportions" (Hsu, 2011), and studies have shown that 98% of products making green claims are based on various forms of greenwashing (TerraChoice, 2009). As green claims multiply rapidly in the corporate race towards ESG (environmental, social, governance) investing and "net zero" commitments, attention to and concern over greenwashing has become even more widespread. For example, U.K.-based non-profit InfluenceMap, finds that over 55% of ESG funds exaggerated their claims and 70% failed to meet their ESG targets (Quinson, 2021). Similarly, commentators ranging from academics and practitioners to Greta Thunberg have expressed concern over rampant greenwashing in rapidly emerging net zero commitments (Black, Smith, & Hale, 2021).

¹ <https://amazonemployees4climatejustice.medium.com/public-letter-to-jeff-bezos-and-the-amazon-board-of-directors-82a8405f5e38>

As incidents of greenwashing – formally defined as “any communication that misleads people into adopting overly positive beliefs about an organization’s environmental performance, practices or products” (Lyon & Montgomery, 2015, p. 226) – have mushroomed in recent years, so too has academic research on the topic (see Lyon & Montgomery, 2015 and Gatti, Seele & Rademacher, 2019 for reviews). This work has focused on characterizing greenwashing (e.g., Delmas & Burbano, 2011; Seele & Gatti, 2017), estimating its prevalence (e.g., Coen, Herman & Pegram, 2022; Kim & Lyon, 2011; Marquis, Toffel & Zhou, 2016), identifying its drivers (e.g., Alves, 2009; Delmas & Burbano, 2011; Kim & Lyon, 2015), and calculating its impacts on financial and sustainability outcomes (e.g. Flowers, Matisoff & Noonan, 2020; Testa, Miroshnychenko, Barontini & Frey, 2018). The unintended negative consequences of greenwashing have also captured great scholarly interest, particularly with respect to how greenwashing can negatively impact the offending company’s reputation and share price (e.g., Lyon & Montgomery, 2013; Testa et al., 2018; Walker and Wan, 2012), and to an even greater extent, consumers. For example, research has shown that greenwashing negatively affects consumers’ trust in a product’s or brand’s claims about its environmental performance (Aji & Sutikino, 2015; Chen & Chang, 2013), brand evaluations, attitudes and purchases (Chang, 2011; Nyilasy, Gangadharbatla & Paladino, 2014; Parguel, Benoit-Moreau & Larceneux, 2011), product quality perceptions (Pancer & McShane, 2013), attitudes toward corporate advertisements and brands (Schmuck, Matthes & Naderer, 2018), participation in a company’s green initiatives (Rahman, Park & Chi, 2014), and integrity of communication judgements (De Jong, Harkink & Barth, 2018).

Although, the extant literature is rich and clearly identifies the negative impacts of greenwashing on external stakeholders, research investigating the impact of greenwashing on

internal stakeholders is almost non-existent. With the exception of a very recent study (e.g., Li, Li, Seppänen & Koivumaki, 2022) the effect of greenwashing on employees has not yet been considered -- as of 2019, the most recent review of the greenwashing literature (Gatti et al., 2019) did not include a single study that examined the consequences of greenwashing for employees. This is surprising for several reasons. First, employees are aware of incidents of corporate greenwashing as indicated in the example of Amazon provided above. Second, employees are uniquely positioned for impact as internal, rather than external, stakeholders. For example, employees as “institutional insiders” are emerging as important social movement activists from within the firm, potentially using internal pressures, resources, and tactics to achieve change on pressing social and environmental issues (Briscoe & Gupta, 2016; DeCelles, Sonenshein, & King, 2020). At the same time, a growing body of research has found that employees, especially sought-after younger workers, are seeking meaningful work and are concerned about firms’ social and environmental impacts (Burbano, 2016; Montgomery, Wolske, & Lyon, 2020). Third, it is well documented within the organizational psychology literature, specifically micro-CSR research (see Gond, El Akremi, Swaen & Babu, 2017 for a review), that much like consumers, employees are also affected by an organization’s environmental actions and communications. Although most of the micro-CSR research has focused on employees’ positive reactions, a handful of studies (e.g., Donia, Ronen, Sirsly, & Bonaccio, 2019; Donia, Sirsly & Ronen, 2017; Vlachos, Theotokis & Panagopoulos, 2010) have explored whether employees might react negatively to inauthentic CSR activity, while a couple other recent studies (e.g., Babu, De Roeck & Raineri, 2020; Scheidler, Edinger-Schons, Spanjol & Wieseke, 2019) have examined employees’ response to corporate hypocrisy (Babu et al., 2021; Miao & Zhou, 2020). For these reasons, we assert that examining the impact of

greenwashing on employees is both important and timely.

Accordingly, we draw upon theories within organizational behavior, and micro-CSR more specifically, and integrate them with research on greenwashing to develop several hypotheses that seek to examine if employees are negatively impacted by greenwashing. We use a sample of employees who have an educational background in environmental science/sustainability as they would be more likely to be knowledgeable about actions that constitute corporate greenwashing. As such, they would be more likely to detect, and therefore, be affected by greenwashing. Further, we sought to determine whether differences exist in how employees who are highly sensitive to environmental matters (as indicated by their commitment to formal education in an environmentally-related area) react to greenwashing. Based on this sample, we hypothesize that greenwashing will be indirectly linked to higher turnover intentions through employees' perceptions of corporate hypocrisy. However, as higher levels of education (e.g., doctoral degree) indicate deeper levels of commitment to an area of study, we expect that the indirect effects of greenwashing will differ among employees with different levels of education in environmental sciences and/or sustainability (See Figure 1 for a depiction of our theoretical model).

By examining these hypotheses, we make several important theoretical and practical contributions. First, we extend the lens of the growing body of greenwashing research to an increasingly influential yet previously overlooked stakeholder group, employees. This is important because employees are proving to be an increasingly active and outspoken stakeholder group and are essential to consider in emerging research on the relationship between greenwashing and stakeholders. Second, we extend theory and research on micro-CSR. Although scholars have begun to recognize that employees react negatively to inauthentic CSR (e.g., Donia

et al., 2019; Donia, et al., 2017; Vlachos, et al., 2010), the notion that greenwashing can have deleterious effects for employees has largely been overlooked. Third, we build on recent work that has examined the effects of corporate hypocrisy (e.g., Babu et al., 2021 Scheidler et al., 2019) by identifying greenwashing as an antecedent of employees' perceptions of hypocrisy. Fourth, by demonstrating that greenwashing indirectly impacts turnover intentions only for employees with a graduate degree in environmental science/sustainability, we reveal an important boundary condition. Finally, from a practical perspective, our findings provide important information that can be used to dissuade organizations from greenwashing in the first place, and interventions designed to help organizations redress their greenwashing activity may be developed. Further, suggestions for a business strategy that takes a more holistic approach to environmental governance and communication is inferred from our research.

Theoretical Development

The Impact of Greenwashing on Employee Perceptions of Corporate Hypocrisy

Research on micro-CSR has demonstrated that much like consumers, internal stakeholders respond to CSR activity. To date, however, this research has focused almost exclusively on employees' positive reactions. For example, employees' CSR perceptions have been positively linked to organizational commitment and identification (e.g., Kim, Lee, Lee & Kim, 2010; Turker, 2009), organizational citizenship behaviours (e.g., Rupp, Shao, Thornton & Skarlicki, 2013), job satisfaction (e.g., Valentine & Fleischman, 2008), job performance (e.g., Jones, 2010; Korschun, Bhattacharya & Swain, 2014), employee well-being (e.g., Ahmed, Zehou, Raza, Asif Qureshi & Yousufi, 2020) and employees' own engagement in environmental activities (e.g., Afsar, Cheema & Javed, 2018; Tian & Robertson, 2019), amongst others (see Glavas, 2016 and Gond et al., 2017 for more detailed reviews). Further, research has shown that an organization's

environmental infrastructure, culture and management support are key drives of employees' environmental attitudes and behaviour (see Young et al., 2015 for a review).

The relationships between CSR and positive outcomes have been predominantly explained by social identity theory (Tajfel 1978; Tajfel & Turner, 1985). According to this theory, employees' self-continuity and self-distinctiveness is reinforced when they perceive their organization as having high prestige and an attractive image, and as a result, their self-enhancement needs are fulfilled (Brammer, He & Mellahi, 2014; Dutton et al., 1994; Hogg & Terry, 2000). More specifically, with respect to self-continuity, the social identity perspective suggests that an employee's positive self-concept is reinforced when the employee believes that their organization's values mirror their own (Brammer, He & Mellahi, 2014; Dutton et al., 1994; Hogg & Terry, 2000). In terms of self-distinctiveness, employees who work for socially responsible companies feel a sense of uniqueness because such companies are often seen as prestigious (Glavas & Godwin, 2013; Jones, Willness & Madey, 2014). More recently, May et al. (2015) have expanded this view by integrating the theory of the moral self (Shao et al., 2008) with social identity theory, suggesting that employees morally identify with their organization when they perceive that the organization exhibits ethical traits (May et al., 2015), which they interpret as reflecting their own social and moral identity and standing.

While an organization's CSR activities can lead to positive employee outcomes through social and moral identification, this relationship may turn negative when employees perceive a misalignment between the organization's social and moral value systems and their own (Scheidler et al., 2019). Such misalignment is likely to occur when employees perceive corporate greenwashing. Greenwashing often involves concealing unfavourable information and/or selectively disclosing favourable information about the organization's environmental

performance (Lyon & Maxwell, 2011), making false claims about the environmental features of a product or service (Bradford, 2007) and issuing promises that the organization fails to live up to (Lyon & Montgomery, 2015). Such actions may be viewed as unethical, immoral and in contrast to one's own social and moral identity and standing, and as such, may lead the employee to perceive the organization in a negative light. In particular, perceptions of greenwashing may evoke perceptions of corporate hypocrisy (Lyon & Montgomery, 2015; Schiedler et al., 2019; Walker & Wan, 2012); that is, employees who perceive a gap between their employer's environmental claims and actions may start to view their organization as hypocritical (i.e., when an organization wishes to appear as something it is not; Wagner et al., 2009).

Despite the emergence of research in recent years focusing on the impact of CSR strategy/initiatives on perceptions of corporate hypocrisy (e.g., Schiedler et al., 2019), no study to date has investigated the relationship between perceived greenwashing and perceived corporate hypocrisy specifically. At times, greenwashing has been referred to as a form or an extreme case of corporate hypocrisy (e.g., Balluchi, Lazzini, & Torelli, 2020; Seele & Gatti, 2017). In this study, we argue that perceived greenwashing is distinct from and an antecedent of perceived corporate hypocrisy. Perceived greenwashing refers to employees' subjective observations and evaluations of their organizations' environmentally related communications, whereas perceived corporate hypocrisy involves a moral judgment about the organization itself, triggered by perceptions of greenwashing. This is consistent with Wagner et al.'s (2009) assertion that a company's communication strategy affects perceptions of hypocrisy. If the communication strategy conflicts with corporate behaviours (i.e., relies on greenwashing), the sense of hypocrisy among stakeholders will likely increase (Miao & Zhou, 2020; Wagner et al., 2009). Employees, especially those who are knowledgeable about sustainability, are in a unique

position as a stakeholder group to detect greenwashing behaviour and conclude that the organization is acting hypocritically (Brunsson, 1993). This is because of their role as institutional insiders allows them to compare their daily work experience with how the company is portrayed in the media (Scheidler et al., 2019). Therefore, we propose that greenwashing will lead to perceptions of corporate hypocrisy among employees.

***Hypothesis 1:** Employees perceptions of greenwashing are positively associated with their perceptions of corporate hypocrisy*

A Moderated Mediation Model of Corporate Hypocrisy And Environmental Education

Perceptions of corporate hypocrisy among employees can be damaging to organizations. Given their insider status, employees are credible sources of CSR information for external stakeholders (Dawkins, 2004; Morsing et al., 2008, Scheidler et al., 2019). Although research on the impact of corporate hypocrisy on employee outcomes is scarce, the handful of studies on the topic suggest that employees' perceptions of corporate hypocrisy may result in turnover or turnover intentions (Allam, Scagnelli, & Corazza, 2020; Greenbaum et al., 2015; Scheidler et al., 2019), or may influence employees' attitudes known to predict turnover, including emotional exhaustion (Scheidler et al., 2019), and organizational identification (Miao & Zhou, 2020).

The relationship between perceptions of corporate hypocrisy and turnover intentions can be explained in light of social and moral identity theory (Dutton et al., 1994; May et al., 2015; Tajfel, 1978). Employees who perceive their organization as hypocritical will likely view the organization as unattractive, and therefore, not identify with it because an image of hypocrisy will diminish an employee's sense of self-continuity and self-distinctiveness, and neglect to fulfill self-enhancement needs. Employees are unlikely to bask in the reflected glory of their hypocritical organizations, as feelings of pride or reward that arise from working for a

prestigious organization (Dutton et al., 1994; Kim et al., 2010) are unlikely to develop in employees who work for greenwashing companies. In contrast, these employees are most likely to feel ashamed, cynical, and quite possibly ire, ultimately negatively impacting self-enhancement needs. Furthermore, employees who perceive their organization as hypocritical will have a hard time reconciling the reality with the desired ideal, resulting in a conflict between the organization's values and their own (Foreman & Whetten, 2002; Scheidler et al., 2019). Consequently, employees will likely seek a way to disassociate themselves from the organization (Philippe & Koehler, 2005), resulting in intentions to leave the organization all together. Therefore, it is plausible to expect that perceptions of corporate hypocrisy evoked by perceived greenwashing will lead to greater intention to quit among employees.

However, research on the effects of perceived organizational social and environmental responsibility on individual outcomes has demonstrated that the effects are contingent on individual characteristics (e.g., Miao & Zhou, 2020; Turker, 2009). Further, in their review of factors that affect environmental concern and behavior, Gifford and Nilsson (2014) note that individuals are unlikely to be concerned about environmental issues if they know little to nothing about the issue. Drawing from these separate bodies of research, we expect that environmental education will be important in our context for a couple of reasons. First, education in a particular area results in more in-depth knowledge structures (i.e., mental templates imposed on environments to give them meaning; Walsh, 1995) about that area (Evans & Davis, 2011). As such, we expect formal educational training in environmental studies will sharpen a student's ability to distinguish greenwashing from substantive environmental claims. Second, being part of a community of students in a given area is expected to inculcate and reinforce a shared set of pro-environmental norms that would strengthen an employee's commitment to authentic

environmental action. Therefore, we test our hypotheses on a sample of participants who have a degree in environmental science and/or sustainability who, we believe, will be more likely, compared to the general public, to detect greenwashing given their familiarity with the concepts.

Although it is reasonable to expect that all employees with a degree in environmental science and/or sustainability will be similar in perceiving greenwashing as hypocritical, their behavioural responses to hypocrisy may be contingent upon their level of education. According to social identity theory, people understand themselves in terms of self-categorization (Tajfel & Turner 1979; Ashforth & Mael 1989; Ellemers et al. 2003; Alvesson et al. 2008). One of the categories people use to classify themselves is occupation, suggesting that participation in an occupation builds one's identity (Kielhofner, 2008). Hence, an individual's occupational identity, described as the degree to which an individual's self-image is attached to their career (Kielhofner, 2008), is part of their overall social identity. Research (e.g., Ulfsdotter & Linde, 2014) has demonstrated that one of the main predictors of occupational identity is educational level. Those with a higher education level who have spent a long time in educational training tend to experience higher levels of occupational identity as they are likely to have adopted an associated culture and ideology (Becker & Carper, 1956; Ulfsdotter & Linde, 2014). Consequently, compared to employees with an undergraduate/college degree in environmental science and/or sustainability, employees with a graduate degree would be expected to experience higher levels of stress and social and moral disidentification when they are faced with a value incongruence between themselves and their organization triggered by their perceptions of corporate hypocrisy. (Miao & Zhou; 2020; Scheidler et al., 2019). In support of this assertion, previous research has demonstrated that the importance of CSR to the individual – often self-reported - moderates the relationship between CSR perceptions and employee outcomes, such as

organizational identification (Miao & Zhou, 2020). Pursuing a graduate degree in environmental science and/or sustainability would constitute a more objective measure of the importance of CSR to the individual as self-report measures may be subject to socially desirable responding (Vesely & Klockner, 2020). Therefore, we hypothesize:

***Hypothesis 2:** The relationship between perceived corporate hypocrisy and turnover intentions is moderated by environmental education, such that it is stronger for higher levels of education.*

Given the proposed relationships between perceived greenwashing, perceived corporate hypocrisy, and turnover intentions, environmental education could also moderate the mediation of corporate hypocrisy, demonstrating a model of moderated mediation. Thus:

***Hypothesis 3:** The mediating effect of perceived corporate hypocrisy is moderated by environmental education, such that the indirect effect of perceived greenwashing on turnover intentions via perceived corporate hypocrisy is stronger for higher levels of education.*

Method

Sample and Procedure

To recruit participants with an environmentally related degree, we used two methods. First, we recruited a sample of employed adults by having the Development and Alumni Relations Office of an environmental science and sustainability program at an American University advertise our recruitment ad to their alumni. To supplement this and increase our sample size, we recruited through social media (e.g., Facebook and LinkedIn) and a professional association to which the first author has ties. Participants recruited through these methods were asked if they held an environmentally related degree and indicate the type of degree they achieved (e.g., Bachelor of Environmental Science).

To minimize common method bias, we collected data at three time points, separated by two-week intervals (Podsakoff, MacKenzie & Podsakoff, 2012). In our analyses, we use data on demographic variables, including level of education, and perceived greenwashing collected at time 1, corporate hypocrisy at time 2, and turnover intentions at time 3. Within all three surveys, participants were instructed to select specific responses (e.g., please select “strongly disagree”) on certain questions to ensure quality data and safeguard against random responding (Desimone, Harms & Desimone, 2015). After eliminating participants who failed the attention check questions in any survey, and then matching remaining participants’ surveys across time periods, we retained a sample of 205 participants.

Of the total, 54.1% of the participants were female, most were Caucasian (62.9%), and on average 34.03 years old ($SD = 8.55$). Participants had been employed in their organizations for an average of 5.91 years ($SD = 4.79$) and worked an average of 40.71 ($SD = 4.09$) hours per week. Of the total, 11.2% held a college/technical diploma, 45.9% held an undergraduate degree, 39% held a master’s degree, and 3.9% held a doctoral degree.

Measures

Perceptions of Greenwashing. Consistent with research on the effects of CSR on employees, we opted to measure greenwashing through employees’ perceptions rather than attempting to measure it in an “objective” manner because, much like CSR activity (e.g., Tian & Robertson, 2019), greenwashing is “in the eye of the beholder” (Gatti et al., 2019, p. 8). As such, perceptions of it may differ between employees. An established scale measuring perceived *organizational* greenwashing could not be located. Thus, we adapted and modified Chen and Chang’s (2013) measure of consumer perceptions of *product* greenwashing. Sample items include “My organization makes misleading claims about its environmental activities” and “My

organization exaggerates its environmental achievements.” Participants responded to this measure on a scale of 1 (*strongly disagree*) to 5 (*strongly agree*). The internal consistency was .95.

Perceptions of Corporate Hypocrisy. We measured employees’ perceptions of corporate hypocrisy using 3 items from the 6-item scale developed by Wagner et al. (2009). Consistent with previous research on corporate hypocrisy (e.g., Miao & Zhou, 2020; Scheidler et al., 2019), the reverse coded items were dropped from the scale. A sample item is “My organization pretends to be something that it is not”. The response scale ranged from 1 (*strongly disagree*) to 7 (*strongly agree*). The internal consistency was .94.

Environmental Education. Participants were asked about the highest level of education they achieved: College/technical diploma, undergraduate degree, master’s degree, or doctoral degree. The four levels of education were grouped into two categories to test the moderation hypotheses. College technical diploma and undergraduate degree were combined to create the first group (Undergraduate degree), and master’s and doctoral degrees were combined to create the second group (Graduate degree).

Turnover intentions. Participants responded to Kelloway, Gottlieb and Barham’s (1999) measure of turnover intentions (e.g., “I am thinking about leaving my organization”) on a scale of 1 (*strongly disagree*) to 5 (*strongly agree*). The internal consistency was .92.

Control Variables. Since several demographic characteristics have been linked to a more pro-environmental orientation, such as age, and gender (Gifford and Nilsson, 2014), which may account for employees being more affected by greenwashing activity, we controlled for these variables in our analyses. Further, because stakeholders may be more affected by greenwashing activity conducted by organizations operating in certain industries (Torelli, Balluchi & Lazzini,

2020), we also controlled for type of industry.

Analyses

For hypothesis testing we used ordinary least squares path analysis as implemented by Hayes' (2018) PROCESS macro for SPSS (Model 14 – moderated mediation). Controlling for age, gender, and industry, we used different time points for our variables of interest (i.e., time 1 greenwashing predicts time 3 turnover intentions, mediated by perceived corporate hypocrisy at time 2) to minimize common method bias. Unstandardized regression coefficients are reported for all analyses. Descriptive data, reliability coefficients and intercorrelations for all variables appear in Table 1.

Results

As expected, perceived greenwashing was positively associated with perceived corporate hypocrisy ($b = 1.07, p < .001, 95\% \text{ CI} = [.95, 1.20]$). Hypothesis 1 was supported. Hypothesis 2 predicted that environmental education would moderate the relationship between perceived corporate hypocrisy and turnover intentions. Consistent with Hayes' (2018) recommendation to focus on the interaction effect and probe the interaction to determine the effect of the independent variable at varying levels of the moderator, we do not report the main effect of perceived corporate hypocrisy on turnover intentions. Rather, we first report the interaction effects between perceived corporate hypocrisy and turnover intentions and then report the effects of perceived corporate hypocrisy at the two different levels of environmental education. Results from these analyses (Table 2) demonstrate that the interaction effect of environmental education on the relationship between perceived corporate hypocrisy and turnover intentions was significant ($b = .34, p < .01, 95\% \text{ CI} = [.17, .51]$), with conditional effects revealing that perceived corporate hypocrisy was positively related to turnover intentions for employees with a graduate

degree ($b = .29, p < .01, 95\% \text{ CI} = [.14, .45]$) but was not significantly associated with turnover intentions for employees with a college or undergraduate degree ($b = -.048, p = .50, 95\% \text{ CI} = [-.19, .09]$). Thus, Hypothesis 2 was supported. The results are presented in Table 2 and Figure 2.

Finally, Hypothesis 3 predicted that environmental education would moderate the indirect effect of perceived corporate hypocrisy. The index of moderated mediation indicated that environmental education moderated the indirect effect of perceived corporate hypocrisy in the relationship between greenwashing and turnover intentions ($b = .37, 95\% \text{ CI} = [.14, .59]$). The indirect effect of perceived corporate hypocrisy was significant for those with a graduate degree ($b = .31, 95\% \text{ CI} = [.10, .51]$), but not for those with a college or undergraduate degree ($b = -.05, 95\% \text{ CI} = [-.20, .10]$). For those with a graduate degree, perceived corporate hypocrisy fully mediated the relationship between perceived greenwashing and turnover intentions. Hypothesis 3, therefore, was supported. The results are presented in Table 2 and Figure 3.

Discussion

Given the fact that greenwashing activity has reached “epidemic proportions” (Hsu, 2011), it behooves scholarly research to investigate its negative effects. Although research in marketing is increasingly uncovering the impact of greenwashing on external stakeholders (i.e., consumers), with the exception of a single recent study (e.g., Li et al., 2022), the effect of greenwashing on internal stakeholders (i.e., employees) has not yet been fully considered. This is especially timely and relevant as a large body of research (i.e., micro-CSR) now documents that employees react to their organizations’ social and environmental actions.

Accordingly, we sought to expand and integrate the research on greenwashing with the organizational psychology research on micro-CSR by examining how perceived greenwashing negatively affects employees’ perceptions of their employer and their behavioural intentions.

Using a sample of employees who were educated in environmental science and/or sustainability, we found that perceived greenwashing was positively related to perceived corporate hypocrisy. Furthermore, perceived greenwashing was associated with turnover intentions via perceptions of corporate hypocrisy for employees who held a graduate degree (i.e., master's or doctoral) in environmental science and/or sustainability. For employees with an undergraduate degree (or college/technical diploma), perceived greenwashing was related to perceived corporate hypocrisy but not turnover intentions.

We extend theory and research on greenwashing and micro-CSR in several ways. First, our findings contribute to the greenwash literature by extending the focus of the negative impact of this phenomenon beyond external stakeholders to internal stakeholders, specifically to employees. Examining the impact of greenwashing on employees is important as employees are often the first to become aware of discrepancies between their organizations' CSR communications and actions. Employees' perceptions of greenwashing can be damaging to organizations not only because such perceptions may potentially lead to negative attitudes and behaviours towards the organization, but also because employees are considered a credible source of company-related information for external stakeholders (Morsing et al., 2008). By focusing on employees, we provide a more comprehensive understanding of the impacts of greenwashing, as well as the negative effects greenwashing can have on *all* stakeholder groups.

Second, we address a gap in the CSR literature, which has focused largely on employees' positive reactions to CSR, by examining the deleterious effects greenwashing can have on employees. The emphasis on positive outcomes of CSR in research may have mistakenly created the false assumption that any corporate pro-social or environmental activity is good for personnel management (Donia & Tetrault-Sirsly, 2016). Our research begins to dispel this myth by

providing evidence that greenwashing represents a dark side of CSR activity that negatively affects certain employees' perceptions (i.e., hypocrisy) of their organization and their workplace attitudes (i.e., turnover intentions).

Third, we build on recent work that has investigated the effects of corporate hypocrisy (e.g., Babu et al., 2020, Miao & Zhou, 2020; Scheidler et al., 2019) by identifying greenwashing as an antecedent of perceived corporate hypocrisy. Within the literature, greenwashing has been referred to as a form or extreme case of corporate hypocrisy (e.g., Balluchi et al., 2020). While this may be true in the sense that hypocritical companies often use greenwashing as a way to deceive stakeholders, we believe it is important to understand the difference between the two concepts when examining their impact on employee outcomes. In this paper, perceived greenwashing refers to employees' observations and evaluations regarding their employer's CSR-related communications, whereas perceived corporate hypocrisy refers to a moral judgment made by employees about their organization as a whole. Indeed, our findings demonstrate that perceived greenwashing is an antecedent of perceived corporate hypocrisy, such that employees who perceive their employers as greenwashing are likely to think of them as hypocritical.

Fourth, our findings on the moderating role of educational level in the mediated link between greenwashing and turnover intentions builds upon very nascent research that is beginning to identify boundary conditions to the deleterious effects of greenwashing on firms (Torelli et al., 2020). More specifically, we found that perceived greenwashing led to perceptions of hypocrisy regardless of educational level, however, there was a positive association between perceived hypocrisy and turnover intentions for those with a graduate level training but not for those with lower levels of environmental education. These results provide an understanding of which employee groups organizations should be concerned about their greenwashing activity

affecting. Further, this important boundary condition around educational level deserves future study and consideration in the impacts of greenwashing, suggesting that other stakeholders' reactions to greenwashing, such as consumers, investors, and policymakers may also hinge on their level of education and knowledge about sustainability.

Fifth, our findings surrounding the moderating effect of education level informs personnel recruitment and selection. Prior research suggests that many firms engage in symbolic management, decoupling what they say and what they do, often with apparently little penalty for doing so (Delmas and Montes-Sancho, 2010; Westphal and Zajac, 1998). Specifically, recent work has suggested that firms can gain competitive advantage by greening themselves in order to attract higher-quality employees at a lower cost (Brekke and Nyborg, 2008; Burbano, 2016; Nyborg and Zhang, 2013). Our study finds an important but previously unexplored boundary conditions for the success of such strategies, and in particular, on the extent to which firms engaging in them rely on employees with specialized training in an area with strong pro-social norms. Instead, strategists must reconsider that while firms pursuing this approach may reap some short-term gains, they also face risks by engaging in greenwashing practices. Such practices can negatively affect employees' perceptions of the organization. As a result, businesses that seek to differentiate themselves using a greening strategy, and hire employees with training and expertise in this area, must be careful to "walk the talk" and engage in substantive rather than purely symbolic management if they hope to achieve a sustainable competitive advantage.

Finally, our study brings together emerging insights from greenwashing with important new academic and practitioner insights on the growing role of internal stakeholders and employees' activism in influencing firm activities (Briscoe & Gupta, 2016). As stated at the

outset, with employee activism growing, and our study's findings that employees are negatively impacted by perceived greenwashing, it stands to reason that employees may become stirred to take either internal steps towards change or public and external action when they detect that their firm is greenwashing. Firms making broad and sweeping claims on ESG and net-zero will be well served to ensure that employees understand and can verify that these commitments are genuine and material. In turn, social movements and activists may wish to better understand employees' education levels and training and the types of campaigns (DeCelles et al., 2020) that may engage these potentially integral internal change agents.

Practical Implications

Practically speaking, our research provides useful knowledge about why organizations might be dissuaded from greenwashing, thereby reducing the social and environmental harm that arises from it. Greenwashing can negatively impact employees - to the extent that they might consider leaving the organization - and presumably by extension hurt corporate performance. Further, it is possible that employees may publicize their employer's greenwashing activity as a retaliatory response, which in turn, may result in more deleterious effects, such as product boycotting and incurred environmental sanctions and fines.

By empirically demonstrating the detrimental impact of greenwashing on employees, our research highlights the need for well-balanced communication and management strategies that are both externally and internally focused. Companies should be aware that inadequate and inconsistent communication of green activities to employees may make it difficult for employees to gain a complete understanding of their company's environmental goals and programs, resulting in unfavourable evaluations of the company's overall environmental engagement (Falchi, Grolleau, & Mzoughi, 2022; Heras-Saizarbitoria, Boiral, Allur, & Garcia, 2019, Huang,

Francoeur, & Brammer, 2022). On the other hand, a heavy emphasis on external activities, especially in the absence of a strong internal environmental strategy, may cause employees to question the motives of the company (de Vries, Terwel, Ellemers, & Dancker, 2015; Schiedler et al., 2019), contributing to employees' negative perceptions. Therefore, companies would benefit from adopting a more holistic approach to environmental governance by fostering stronger collaboration between CSR and HR departments and creating committees where employees from all functions in the organization are represented. Such an approach would not only increase corporate disclosure by ensuring that information about green activities is communicated widely within the organization, but also minimize the potential for negative perceptions by engaging employees in the decision-making process.

Our finding that employees can detect their company's greenwashing indicates that companies should exercise caution with respect to their green communications to ensure clarity and transparency. Stakeholders often approach CSR communication with skepticism (Coombs & Holladay, 2013), which suggests that employees may suspect greenwashing regardless of the company's intentions or even when it is absent by objective criteria (Balluchi et al., 2020, de Vries et al., 2015, Seele and Gatti, 2017; Suchman, 1995). There is growing research evidence (e.g., Forehand and Grier, 2003; Terwel et al., 2009) demonstrating that one of the main determinants of how stakeholders perceive green communication is their attributions regarding the organization's motive for engaging in environmental activities. For example, de Vries et al. (2015) demonstrated in several experiments that suspicions of greenwashing were reduced when companies acknowledged economic motives instead of communicating purely altruistic motives. Therefore, companies should think carefully about how they communicate their motives to internal stakeholders in the most transparent manner. To avoid pitfalls in green communication,

managers can use assessment tools (e.g., Nemes et al., 2022) to systematically evaluate claims for potential greenwashing and as a guide to avoid greenwashing in environmental communications.

Further, an organization accused of greenwashing should demonstrate ways in which the company has altered its environmental communications and/or practices to be more authentic. Organizations whose employees perceive the company as greenwashing might well benefit from using a third-party medium (e.g., the media or an environmental certification) to communicate that their environmental practices are genuine. Third-party communication has been shown to be evaluated more positively than messages from sources internal to the organization (Skard & Thorbjornsen, 2014), thus, using a third-party medium may alter employees' skeptical perceptions of their organization's greening activity.

Finally, our findings point to the importance of monitoring employees' perceptions toward corporate environmental activities and communications. Most companies tend not to include employee related metrics in their environmental and social governance reporting (Bianchi, Testa, Tessitore, & Iraldo, 2022). Moreover, research shows that employee related metrics often do not factor into environmental decision-making as much as economic pressures and top management's commitment (Lisi, 2018). Our study suggests that monitoring employee level indicators would not only help companies improve their environmental communication but also provide opportunities for companies to address the potential skepticism among employees, which might lead to negative behaviours.

Limitations and Future Research

Several limitations affect our research. We cannot draw causal conclusions from our data. Thus, experimental research that manipulates levels of greenwashing is encouraged. Following

Burbano (2016), experimental field research that utilizes an online labour market in which employees are hired to do temporary work for a fictitious organization may be one way to provide causal evidence for the deleterious effects of greenwashing.

Although we believe the use of our data represents a robust test of our hypotheses, particularly given Spector's (2019) recommendation that cross-sectional designs are acceptable when researching a new area in which it has not yet been established if X and Y covary, as is the case for our research, our inability to conduct longitudinal tests remains a limitation. Thus, we encourage future research to use stronger longitudinal designs.

Our study focuses on employees' perceptions of greenwashing, which are evoked when there is a gap between the reality and the perception induced in the employee by corporate communications (Balluchi, et al., 2020; Walker & Wan, 2012). Through greenwashing, organizations attempt to communicate something that does not exist in reality, or that exists only in part, or that exists but not as it is communicated (Walker & Wan, 2012). However, in some cases the communication can still be considered as credible by stakeholders. Conversely, legitimate communications regarding environmental performance may be perceived as greenwashing by stakeholders for various reasons, including a general cynicism toward CSR communication (Illia et al., 2013), and a lack of visibility with regard to CSR initiatives (Jauernig & Valentinov, 2021). Future research should consider these factors that can shape employees' perceptions of greenwashing so that organizations can adopt a communication strategy that is hypocrisy avoidant.

We encourage future studies to identify other potential negative outcomes of greenwashing. Looking to the marketing, economics, and managerial literature on greenwashing may be fruitful in this regard. For example, within the marketing literature it has been shown that

product greenwashing affects consumers' participation in a company's green initiatives (e.g., Rahman, Park & Chi, 2014). Extending this suggests greenwashing may affect employees' engagement in their organization's CSR initiatives, as well as their pro-environmental behavior. Further, we encourage future studies to examine other mechanisms, such as organizational identification, through which greenwashing exerts its effects. It would also be fruitful to examine other boundary conditions to the negative effects of greenwashing by examining if greenwashing affects other employee groups differently (e.g., full versus part time or temporary employees). Future research could also examine how greenwashing affects other internal stakeholders, such as job seekers. Finally, research should examine how other forms of CSR may backfire. For example, research has begun to examine "brownwashing," a phenomenon in which companies understate their environmental performance (Kim & Lyon, 2015; Robertson, Montgomery & Lyon, 2017). It may be the case that when organizations implement environmental policies and practices, but publicly de-emphasize their success (i.e., brownwash), employees will lack an understanding of whether or not supporting environmental initiatives is valued or effective.

Conclusion

The goal of this research was to contribute to the literature on greenwashing and micro-CSR by investigating the impact of perceived greenwashing on employees' perceptions of corporate hypocrisy and turnover intentions amongst a sample of employees with an educational background in an environmentally related area. We found that greenwashing indirectly leads to greater turnover intentions for employees with higher levels of environmental education. Our findings provide important insights into the psychological effects of this phenomenon -- insights that contribute to our understanding of how corporate environmental actions can backfire and have deleterious effects on some employees. Overall, our research provides compelling evidence

to dissuade corporate greenwashing activity. Certainly, Amazon discovered their employees' concerns over the company's greenwashing claims the hard way in 2019 and made significant changes aligned with employees demands afterwards, promising to eliminate carbon emissions by 2040 (Briscoe & Gupta, 2021). But as Tariq Fancy, BlackRock's former chief investment officer of Sustainable Investing, continues to publicly call the company to account over its deception and the financial industry's "greenwashing" (Fancy, 2021), firms must reconsider employees as a key stakeholder – and one not to be trifled with – when contemplating greenwashing.

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Figure 1 Conceptual Model

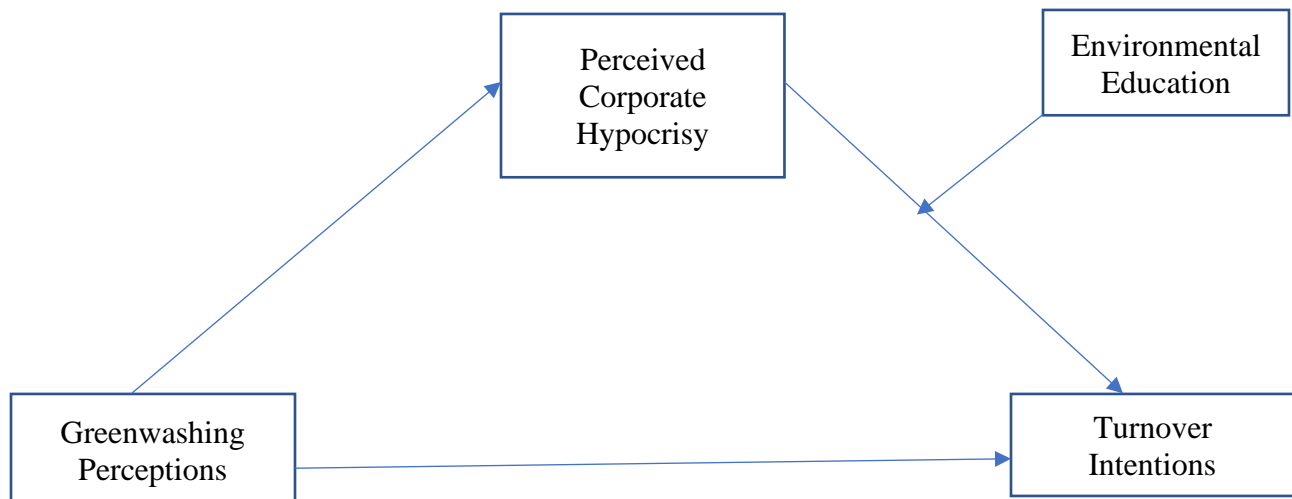


Figure 2. Interaction of perceived corporate hypocrisy and environmental education

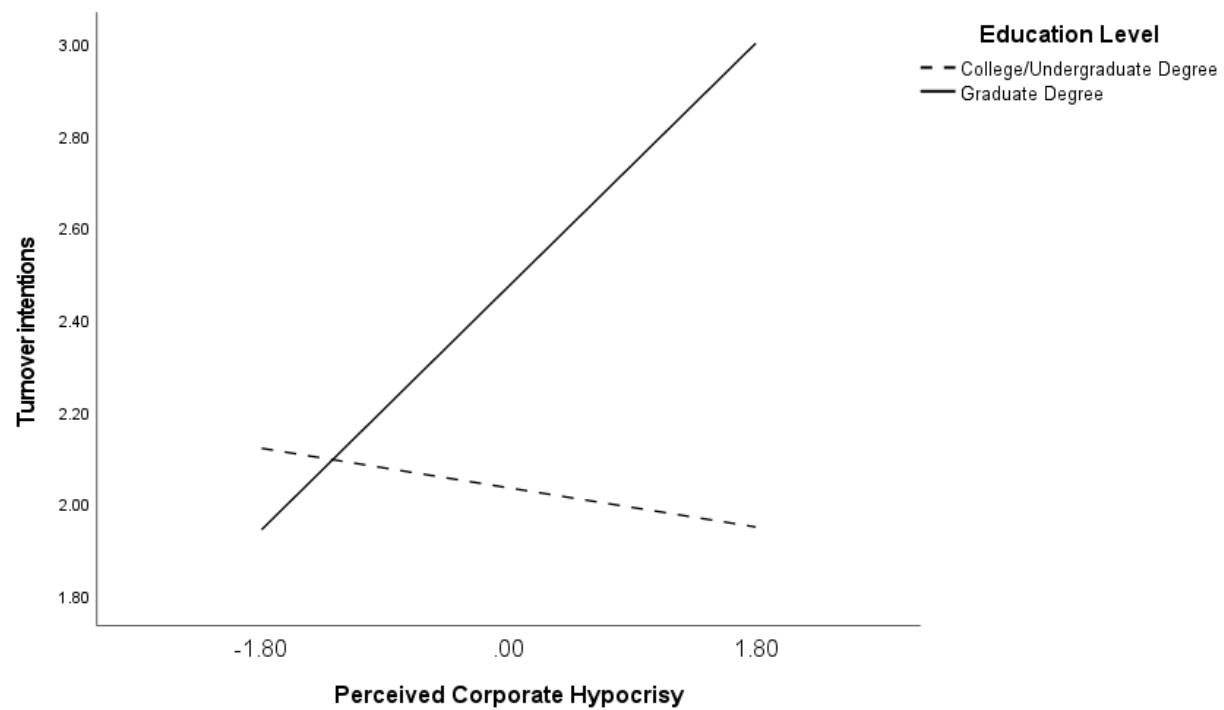


Table 1: Means, Standard Deviations, Correlations, and Reliabilities

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Age	34.03	8.55							
2. Gender	1.55	.51	-.12						
3. Industry	10.39	3.36	.11	-.204**					
4. Education level	1.43	.50	.273**	.243**	-.189**				
5. Greenwashing	2.66	1.28	-.05	-.263**	.07	-.348**	(.95)		
6. Perceived corporate hypocrisy	3.62	1.80	-.12	-.262**	.176*	-.319**	.787**	(.94)	
7. Turnover intentions	2.12	1.02	-.174*	.239**	-.140*	.162*	-.176*	-.09	(.92)

Note: * $p < .05$, ** $p < .01$

Table 2: Results of the moderated mediation analysis, PROCESS Model 14 ($N = 205$)

Path	Symbol	Estimate	SE	<i>t</i>	<i>p</i>	LLCI	ULCI
<u>Mediation</u>							
GW -> CH	a	1.073	.062	17.320	<.001	.951	1.195
CorHyp -> Turn	b	-.388	.137	-2.828	.005	-.658	-.117
GW -> Turn	c'	-.128	.087	-1.466	.144	-.300	-.044
<u>Indirect effects</u>							
Undergrad	a*b1	-.051	.076			-.204	.095
Grad	a*b2	.314	.103			.102	.513
<u>Conditional effects</u>							
CH*EE -> TO	-	.340	.087	3.908	<.001	.169	.512
CH -> TO (Undergrad)	b1	-.048	.071	-.671	.503	-.187	.092
CH -> TO (Grad)	b2	.293	.080	3.665	<.001	.135	.451
	IMM	.365	.114			.141	.586

Note: LLCI and ULCI values represent bias corrected 95% confidence intervals. GW = Greenwashing, CH= Perceived Corporate Hypocrisy, EE = Environmental Education, TO = Turnover, Undergrad = Undergraduate/College, Grad = Graduate

Figure 3. Results of the moderated mediation analysis, PROCESS Model 14

