CORPORATE SUSTAINABILITY, GREEN MARKETING AND REPORTING: WHERE ARE WE GOING?

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Abstract

The widespread academic, institutional and public consensus around the notion of sustainable development is pushing and encouraging companies to extend their accountability to non-financial goals, such as providing social equity and ensuring environmental integrity. Stakeholders' call for more responsible companies is fostering the spread of sustainability-oriented practice, like sustainability reporting (SR). Firms prepare and publish SRs in order to signal their commitment towards sustainability, raise their reputation and achieve legitimacy to operate while lowering the information asymmetries with the stakeholder's community. Notwithstanding, the effectiveness of such practice in terms of realizing the actual corporate sustainability is still to be demonstrated. This theoretical paper aims to build a relevant literature review on this issue, proposing that the path towards corporate sustainability needs a different approach in terms of SR. Indeed, the reporting practice has to move further from the green marketing perspective, embracing a managerial and strategic approach.

Keywords: Corporate Sustainability, Sustainability Reporting, Green Marketing, CSR

INTRODUCTION

Almost 30 years have passed since the first definition of sustainable development was proposed by the World Commission on Environment and Development (WCED) in the widely cited Our Common Future (1987, p.41): "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Since then, academics, practitioners and institutions have spent a significant effort trying to develop a business level notion of sustainability. Indeed, sustainable development is a system level, holistic concept that needs to find its translation in corporate terms (Milne & Gray, 2013).

Corporate Social Responsibility (CSR) and its sister-concepts, like corporate citizenship (Mirvis & Googins, 2006), sustainable entrepreneurship (Schaltegger & Wagner, 2011), triple bottom line (Elkington, 1997), corporate sustainability (CS) (Dyllick & Hockerts, 2002) were introduced to describe why and how firms are called to respond for the environmental and social consequences of their conduct, providing explanations at institutional, organizational and individual level of analysis (Aguinis & Glavas, 2012). However, this intensive debate regarding how and why firms should embrace a "more humane, more ethical and a more transparent way of doing business" (Van Marrewijk, 2003, p. 95) is too often reduced to operative and financial terms, investigating whether or not "it pays to be green" (Bansal & Gao, 2006; Christmann, 2000; Lee, Faff, & Langfield-Smith, 2009; Hart & Ahuja, 1996; King & Lenox, 2001; Klassen & McLaughlin, 1996; Konar & Cohen, 2001; Russo & Fouts, 1997; Wood, 2010).

Certainly, finding the business case for sustainability can be considered a strong incentive to persuade companies to move towards a sustainable path. Materials and energy savings, emissions cutting, switching to cleaner productions is often source of competitive advantage in terms of cost savings and/or differentiation (Porter & Kramer, 2011; Porter & Kramer, 2006; Porter & Van der Linde, 1995). On the other hand, focusing on the sole *efficiency* side is an oversimplification of the sustainable development concept (Dyllick & Hockerts, 2002; McDonough & Braungart, 1998) and, eventually, it can even promote business-as-usual trajectories, in which the sustainable shift is only apparent but not substantial.

Sustainability reporting, that is the process of disclosing information regarding economic, social and environmental performance to the stakeholder's community (Sutantoputra, 2009), is a central phenomenon in the above-mentioned dynamics. Indeed, SR can be considered the most direct expression of the companies' attitudes and behaviours regarding social responsibility" (Perrini, Building a European Portrait of Corporate Social Responsibility Reporting, 2005, p. 611), as it provides a large set of performance indicators following a Triple Bottom Line (Elkington, 1997) approach. SR is mainly used to manage the dialog with the stakeholders, as a green marketing (GM) tool aiming at raising firms' reputation and legitimacy (Chatterji & Levine, 2006; Habisc *et al*. 2011; Milne & Gray, 2013). Nevertheless, international organisations providing SR guidelines, such as the GRI and the IIRC, as well as international institutions like the UN and the World Business Council for Sustainable Development (WBCSD) promote the equation between SR and corporate sustainability: "We define sustainable development reports as public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions. In short, such reports attempt to describe the company's contribution towards sustainable development" (World Business Council for Sustainable Development, 2002, p. 7). The rational myth behind the SR-CS equation is that "what gets measured gets managed" (Chatterji & Levine, 2006).

Is this approach effectively leading firms towards corporate sustainability? Or is it preserving the flawed *efficiency* paradigm of sustainable development? Our proposal is that a major change of perspective in SR is needed in order to promote the shift towards corporate sustainability.

This work is structured as follows. Before analyzing the nature of sustainability reporting and its relationship with corporate sustainability, we provide a relevant literature review regarding CS. At the end, conclusions are discussed, indicating in which ways SR has to change in order to become more than a green marketing tool.

BRINGING SUSTAINABLE DEVELOPMENT "DOWN TO EARTH": CORPORATE SUSTAINABILITY

Montiel and Delgado-Ceballos (2014) provided a rich and insightful literature review of CS, giving a state-of-art picture of the field. Analyzing more than 1000 articles published in specialized journals, top academic journals and practitioners journals from 1995 to 2013, they observed that: 1. the term corporate sustainability is more widely used in specialized academic literature than in practitioner and top academic management literature; 2. a standardized definition of CS does not exist; 3. CS has been conceptualized using different theoretical approaches (e.g. stakeholder theory, natural resource-based view, insitutional theory); 4. a standardized method to measure CS does not exist.

Looking for some pivotal definitions, we can quote Bansal (2005) first definition of CS, according to which "corporate sustainable development" is a tridimensional construct attaining economic prosperity through value creation, social equity through social responsibility and environmental integrity through environmental management (Bansal, 2005). Van Marrewijk (p.102, 2003) defines CS in relation to CSR, introducing the voluntariness element and the relationship with the stakeholders: "in general corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders".

CS re-writes the relationship of trust between the company and all its stakeholders so that the company takes the responsibility of the requests coming from these in order to offer a value proposition that goes far beyond satisfying a mere material need. In this way, social and environmental issues are not objects of the "generic approach" or the "value chain one-dimensional approach", but gain a significant impact because considered in the "social dimension of competitive context" (Porter & Kramer, 2006) approach. This is based on a two-variable strategy in order to maximize two outcomes: *efficiency* and *effectiveness* (Pogutz & Russo, 2009).

Hence, CS theory aims to move beyond the *efficiency* point of view, building an inclusive and *effective* framework of social, environmental and economic value (Dyllick & Hockerts, 2002; Van Marrewijk, 2003). While efficiency deals with *doing things right*, effectiveness regards *doing right things*, that is meeting the objective *being an ecologically sustainable* *company* by answering the question: *how close is the firm to the environment's carrying capacity?*. Efficiency "is not a strategy over the long term, because it does not reach deep enough" (McDonough & Braungart, p. 85, 1998), as it considers only relative improvements and not the absolute use degree of environmental and social resources and their thresholds of irreversible deterioration (Irreversibility, non-substitutability and non-linearity of natural and social capital). The classical example of this is the so-called Jevons' paradox: "a tenfold decrease in material inputs per computer is little use, if it coincides with a greater than tenfold increase in consumption of these products" (Milne & Gray, 2013, p. 23).

In conclusion, the CS theory approach goes beyond demonstrating the existence of the business case for sustainability. It entails a more holistic framework, based on three different cases, as presented in Figure 1:

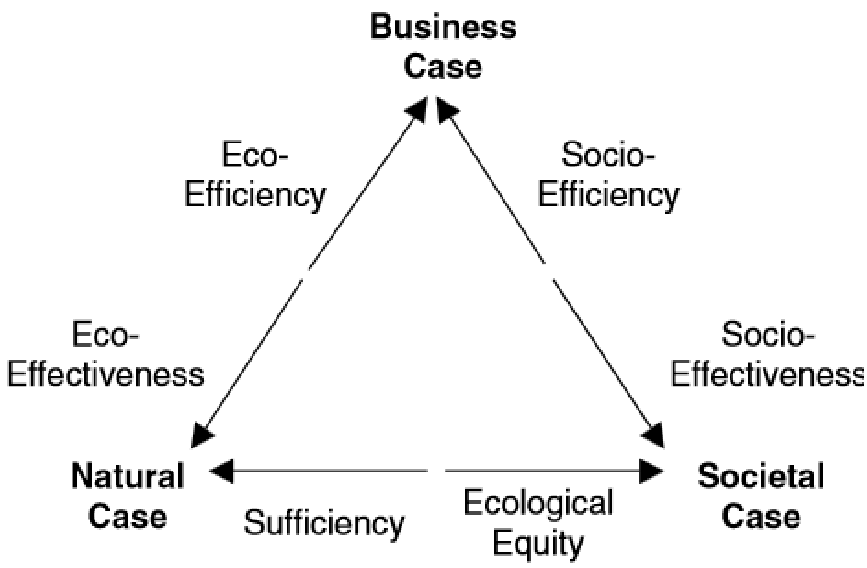

Fig.1 Overview of the six criteria of corporate sustainability (Dyllick & Hockerts, 2002)

The CS framework features the Triple Bottom Line elements (Business Case, Natural case and Societal Case), but it entails them in an integrated way and considering both the *efficiency* and *effectiveness* points of view.

SUSTAINABILITY REPORTING AS A GREEN MARKETING TOOL

Today, more than two-thirds of the Fortune Global 500 companies issue a sustainability report (LeBlanc, 2012), showing a growing trend that is not prompted by contingent and temporary forces (Kolk, 2003). SR is also growing in emerging economies, in particular in the Asia Pacific area and

Latin America (KPMG, 2013). The gap between leading and lagging industry sectors is narrowing too, converting SR in a diffused and cross-sectorial managerial practice (KPMG, 2013).

Firms motivate non-financial reporting mainly through cost-benefit assessment (Spence & Gray, 2007). Indeed, they can leverage on intangible assets, such as legitimacy, reputation, reliability, built on the image they convey to stakeholders. According to this view, SR is able to generate and enhance organizational legitimacy, demonstrating that a firm shares the same value system of the wider community (Michelon & Parbonetti, 2010), trust and reputation (Lamberti & Lettieri, 2009), moving from a "trust me" approach to a "tell me" one (Perrini, 2005), shareholder value creation alignment with social value creation (Chatterji & Levine, 2006), reliability, transparency and brand positioning (Perrini, Russo, Tencati, & Vurro, 2011). In summary, "the disclosure of financial, social and environmental information is part of the dialogue between a company and its stakeholders and it provides information on a company's activities that legitimize its behavior, educate and inform, and change perceptions and expectations" (Michelon & Parbonetti, 2010, p. 478).

In this sense, SR appears to be a pure green marketing tool, deriving its rationale and its value from the external use. Polonski (1994) indicates that green marketing has the following features and aims: 1. to quote clearly the benefits for the environment; 2. to explain environmental characteristics; 3. to explain the benefits obtained; 4. to ensure that the differences compared are well-founded; 5. to ensure that negative factors are taken into consideration; and 6. to use only words and figures that have a sense.

Nevertheless, the relationship between SR and sustainable performance is still unclear. Early studies (Ingram and Frazier, 1980; Wiseman, 1982; Freedman and Wasley, 1990) show no significant association between environmental disclosure and performance, thus indicating an overall poor quality of sustainability reports at that time. Bewley and Li (2000), Patten (2002) and Clarkson, Overell, & Chapple (2011) identify that higher amounts of disclosure in reports are positively associated with measures of environmental pollution. Clarkson, Li, Richardson, & Vasvari (2007), Al-Tuwaijri, Christensen, & Hughes, (2004), Dawkins and Fraas (2010, 2011), Arimura, Hibiki, & Katayama (2007) on the contrary, provide evidence of a positive relationship between environmental performance and SR.

The main reason behind this uncertainty is that reporting and performance are not the same thing. "The one thing you cannot learn from a sustainability report is the contribution to/ detraction from sustainability that the organization has made" (Milne & Gray, 2013, p. 17). Gathering data regarding the Triple Bottom Line is not the real problem, rather, the interpreation of such information is the major issue. Indeed, although reporting guidelines provided by the GRI and the IIRC emphasise the importance of having a balanced report, including negative as well positive disclosure, "research shows that companies tend to prefer to emphasize positive information in voluntary sustainability reporting" (Hahn & Lufls, 2014, p. 403).

As a consequence, while the practice of SR is widely considered as a sign of sustainable behavior, it fails to prove evidence of having any substantive influence on business behavior, remaining in the symbolic management domain (Ashforth and Gibbs 1990; Hrasky 2012; Kim et al. 2007; Milne and Patten 2002). "Sustainability reporting would more correctly be described as reporting on our unsustainability, and what we seek to do about it. In our experience, many sustainability reports describe commendable initiatives to reduce advere impacts, but few (if any) describe the gap between the current model and what could be called truly sustainable. The reader is left in the dark on that crucial matter of the sustainability gap" (Milne, Tregidga, & Walton, 2009, p. 1214).

CONCLUSION: THE PATH TOWARDS CORPORATE SUSTAINABILITY

Our considerations have dismantled the rational myth that "what gets measured gets managed". SR clearly remains a green marketing tool in a symbolic management domain, as companies engage in this practice mainly for raising their reputation, building a sustainable image and defend their legitimacy to operate. In this sense, the appearance rather than the substantial managerial behavior is sufficient, at least in the short run, to create such intangible and valuable assets.

However, this practice cannot be considered alone as a sign of corporate sustainability (Milne & Gray, 2013). As Elkington (1997, p.14) noted in the influential "Cannibal with forks", "communication is a defining characteristic of corporate responsibility", but it is only a part of the corporate sustainability formula. This SR trend is providing an "operative" dimension of CS, made out of indicators, statements and symbols. The missing element is knitting such data in a substantial managerial action, leveraging on strategy (Ullman, 1985; Wood, 2010).

It is our belief that SR remains central in attaining CS, as "business' engagement with the sustainability agenda is firmly rooted in a history of practices of corporate reporting, and more particularly, with the reporting of impacts beyond an organization's traditional financial transactions" (Milne & Gray, 2013, p. 16). However substantial changes are needed. Figure 2 proposes a model to move from a symbolic management-based SR to a substantial management-based one.

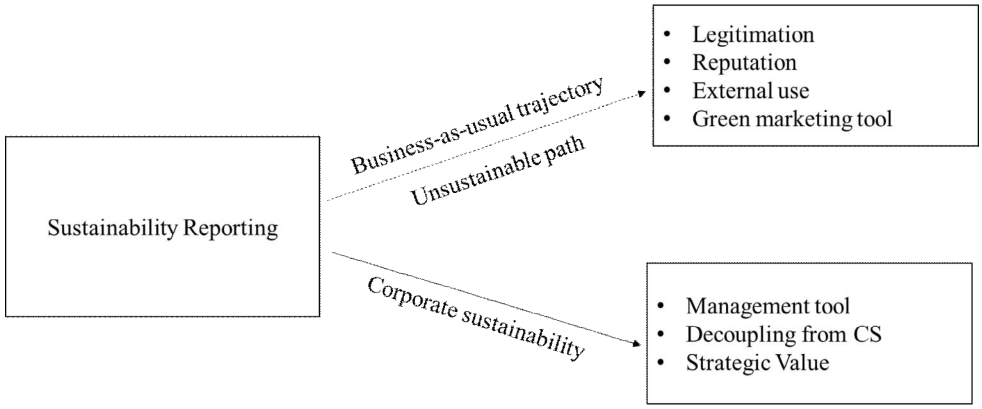

Fig.2 From symbolic management to substantial management of SR

Paradoxically, decoupling SR from the immediate attainment of a sustainability image is the first step to consider it a management tool before a green marketing instrument. SR has to be considered beyond its corporate communication purpose, having its own strategic value. Encouraging the equation between SR and CS will only promote business-as-usual and lead companies towards an unsustainable path.

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