Greenwashing Unveiled: How it Impacts Stakeholder Perception as Well as Sustainability Realities

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Abstract
Corporate communication has advanced significantly in the last few decades in terms of consumers, content, and channel. Companies must satisfy a variety of stakeholders, who are becoming more and more interested in non-financial information, in order to be held accountable. Furthermore, the kind and extent of the information can have a big impact on the company's competitive edge, notably its reputation and reliability. Social responsibility (CSR) programs are now mandatory for businesses in order to respond to stakeholder and societal calls for action. This study's goal is to find out how consumers view the impact of perception of stakeholders on an organization's decision to implement greenwashing techniques. Our goal is to comprehend and evaluate the diverse impacts that different kinds of deceptive environmental communications have on stakeholders' opinions of corporate responsibility for the environment and greenwashing. Evaluation will also be given to stakeholder reactions to an environmental issue.Different degrees of a greenwashing have a dramatically different impact on the opinions of stakeholders of corporate responsibility for the environment and their reactions.
Keywords: Green Washing Practices, Level of Green Washing, Consumer Pressure, Stakeholders Perception

Introduction

Organizations are under constant pressure to present themselves as environmentally conscious due to the growing consumer demand for eco-friendly products. Businesses are under constant pressure to generate and share innovative green ideas in order to gain a competitive advantage in the global market (Khan et al 2018). Companies frequently make nebulous, sometimes deceptive, and unprovable eco-friendly statements to appeal to the green audience. Greenwashing is the dishonest promotion of a company's image as environmentally kind through public relations or marketing (Aji et.al 2015). Greenwashing, according to Delmas and Burbano (2011), is the practice of communicating positive environmental performance while exhibiting poor environmental performance. The environmental policies that businesses undertake are becoming increasingly sensitive and concerning to society (Musgrove et al.,

2018). Therefore, companies may be motivated to embellish, mislead, or exaggerate their external communications on their environmental efforts in order to generate a positive image as they recognize that their image, legitimacy, and reputation are at stake (Kim et al. 2017).

Researchers (Saleem et.al, 2021) have started to compile the research on greenwashing. These works have concentrated on mapping and assessing the academic literature surrounding the phenomena of "greenwashing", proposing an assessment and advancement of the trends in the field, and synthesizing the findings from earlier research (Gatti et al. 2019).Some studies examine the fundamental ideas and typologies of greenwashing (de Freitas Netto et al., 2020), while others concentrate on its causes, classification, and effects (Yang et al. 2020). Although they provide insightful information on this subject, there is still a need for a comprehensive analysis that looks at how it affects the stakeholders (Gatti et al. 2021).

Stakeholder theory states that an organization's strategy is influenced by a variety of outside pressure groups. The Previous studies provided evidence that consumer demand drives the use of green production strategies. In addition to external pressure from customers, enterprises are also driven to implement environmentally friendly procedures. According to some studies, adopting green practices was a response to the issues posed by climate change as well as global warming (Sikdar, 2019). Businesses occasionally use various environmental strategies to get a competitive edge over rivals. Government regulations have been identified by numerous researches as important external elements influencing an organization's decision to become green.

Many studies have attempted to explain why and how corporations engage in greenwashing, which has been recognized as a false communication strategy about environmental issues. Walker and Wan state that there are two primary reasons why businesses engage in greenwashing: first, to signal to stakeholders their values regarding environmental issues through symbolic actions or "green talk" in accordance with signalling theory; second, to achieve legitimacy (Cormier & Magnan, 2015) in accordance with organizational as well as legitimacy theory. With a focus on the effects on stakeholders, this study attempts to provide an in-depth assessment of effects and the present state of academic research on greenwashing. To achieve this, we focus the investigation on stakeholders, consumers, and competitors, examining how they might be impacted by acts of greenwashing, identifying research gaps, and suggesting potential directions for future research.

Review of Literature

Greenwashing has been the subject of two main levels of investigation in the past: business and product levels. Greenwashing is linked, at the level of the company, to a skewed communication of environmental problems that impact the entire organization. Greenwashing is linked, at the product level, to a deliberate tactic used by businesses to promote the environmental benefits of a particular good falsely and misleadingly or service (Delmas et al., 2011).Greenwashing at the corporate level is particularly significant these days due to the expanding spread of actual environmental crimes associated with the so-called eco-mafia or eco-criminality as well as the increasing demand from participants for high levels of accountability and openness (Tang & Demeritt, 2018). Greenwashing appears to have become a common practice among businesses looking to outperform their rivals in recent decades as a result of stakeholders' increased sensitivity to environmental issues (Parguel, Benoît-Moreau, & Larceneux, 2011).

The impression that a corporation's actions are desirable, acceptable, or acceptable within a socially created system of standards, principles, and convictions is the fundamental basis of greenwashing, which stems from the internal urge to justify the organization. Prior research indicates that companies aiming to establish or preserve their legitimacy are more motivated to employ communication tactics that could sway stakeholders' opinions. Different stakeholders'

intentions about employment, investments, and purchases are influenced by both good and negative information on company social and environmental responsibility. According to Vries et al. (2015), stakeholders frequently view corporate communications regarding environmental concerns as more symbolic than authentic. Individuals may question the veracity of businesses' environmental claims and conjecture about their covert motivations (Vries et al, 2015). These results emphasize the necessity for businesses to exercise caution when revealing their environmental policies and initiatives.

Today, companies want to send out signals that are efficient and successful for the various targets of reference. Based on this premise, we contend that varying degrees of greenwashing are produced by various forms of communication (such as reports on sustainability, institutional communications, and strategies behind labels), which are the outcome of various approaches and strategic choices(Arumugam, T,2024).Previous research on the topic of false environmental communication and greenwashing has only examined two aspects of the practice the corporation level and the product level and has told us about its findings.

Greenwashing Practices

Businesses are under pressure to act environmentally friendly and to further their environmentally conscious image by adopting catchphrases like "go green," "earth-friendly," "eco-friendly," and "save the planet." Businesses engage in greenwashing when they are unable to uphold the integrity of their green marketing strategies. Delmas et al (2011) define "greenwashing" as deceiving customers with exaggerated environmental claims in order to temporarily improve a company's or a product's performance. Other names for greenwashing include green makeup, green image washing, whitewashing, echo-bleaching, and green shine. Customers' desire for environmentally friendly brands has increased (Bhatia & Jain, 2013). As a result, there has been a global surge in greenwashing techniques to satisfy customer demand. Greenwashing is a tactic used by companies to increase their market share; however, it can have negative effects on the green movement.

External Marketing Pressures to Adopt Greenwashing

The government, society, suppliers, customers, rivals, and regulatory agencies are examples of external stakeholders. Different levels of outside pressure have an impact on a firm's decision to react by going green. Stakeholders are pressuring businesses in this sustainable era to lessen their negative reputations. Yasmeen et al. (2019) claim that these stakeholders are influencing businesses to act more environmentally conscious and to demonstrate greater concern for the environment. Organizations are ultimately very motivated to adopt various meaningful and symbolic sustainable measures in order to portray themselves as environmentally conscious businesses (Schons.et.al, 2016).However a lot of pressure from these stakeholders could also force companies to disclose green efforts in a misleading way. Following a thorough examination of the business environment and a comprehensive review of the literature, it was determined that the pressure from government regulations, industry competition, and the overwhelming demand from consumers worldwide for environmentally friendly products are the main reasons driving companies to adopt green washing practices (Arumugam, T.2024).

Consumer Side Pressure

The increasing amount of environmental literature raises consumer awareness of ecological issues and encourages them to make green purchasing decisions (Pimanenko et al., 2020). Prior research (Nguyen et al. 2018) confirmed that consumer awareness and knowledge drive people to adopt green consumption practices. Green products are becoming more and more popular due to

growing customer knowledge of environmental issues (Witek & Kuzniar, 2020). Businesses that ignore these demands risk losing market share and experiencing a decline in profits. Consumers have become willing to pay a premium for environmentally friendly items. Businesses are being forced to adopt green manufacturing and distribution strategies to address environmental concerns due to customers' growing demand for products with green qualities(Arumugam, T,2023). Empirical data suggests that companies implementing green practices have received greater appreciation from other investors (Bansal, P. Roth, 2007).

Levels of Green Washing

- Corporate-level greenwashing refers to the dissemination of false information regarding environmental issues and facts pertaining to the company's real reputation and image. This level represents a static dimension, such as the name and logo of the business, its mission, its adherence to standards, and its corporate certification.
- Strategic-level greenwashing refers to deceptive environmental communication about elements linked to the company's future strategies (such as corporate medium-long-term goals, strategic public communication, strategic plan for technology/process improvement or implementation, indicate interpersonal interaction, and targeted exceptional operations.
- Dark-level greenwashing refers to deceptive environmental messaging that ends up covering up illicit activity (such as money laundering, coordination between the criminal underworld and/or mafia, corruption, as well as investments with covert objectives).
- Product-level greenwashing refers to deceptive environmental messaging about certain product attributes, such as labels, targeted marketing, packaging, and product certifications.

Effects of Green Washing on Stakeholders Perception

Studies has repeatedly demonstrated that customers are adversely affected, either directly or indirectly, by perceived greenwashing methods. On the other hand, Urba ski (2020) discovered evidence from statistics in their research that indicates greenwashing has no effect on purchasing intention. Furthermore, greenwashing reduces the willingness of clients to pay for greenwashed items (Lee et al. 2018) and increases consumers' misunderstanding, which prevents consumers from making educated buying choices (Wu et al. 2020).

Studies has also demonstrated how damaging greenwashing is to brands. Greenwashing also has an impact on consumer engagement with the brand (Guerreiro and Pacheco 2021), green brand associations, credibility of the brand, green brand equity, environmental brand image, loyalty, and love. The company's green brand suffers when there is more greenwashing. Greenwashing has unfavourable effects on businesses as well. Reduced investment intention and increased blame attribution are the results of increasing degrees of greenwashing (Pizzetti et al. 2021). Moreover, the studies showed that investors are more likely to back businesses that engage in corporate misconduct unrelated to misleading marketing than those that engage in greenwashing. Furthermore, research indicates that supervisors become less inclined to work with green washers as their behaviours increase.

Some authors decided to look at the potential effects of restricting greenwashing in light of all the bad effects that come with it. These authors argue that regardless of whether greenwashing were prohibited, businesses might not act sustainably because they do not place a high value on environmental issues or the costs associated with CSR initiatives. Corporate greenwashing may have a negative impact on the financial health of an organization as well as its environmental branding. As such, greenwashing constitutes a danger and does not provide a meaningful competitive edge (De Jong et al. 2018). Therefore, only true green behaviour will benefit all parties involved in the intended ways

Conclusion

The purpose of this study was to examine the effects on stakeholders of the different levels of greenwashing, understanding if and how stakeholders' perceptions and actions change after an assessed case of greenwashing. The environmental community is suffering greatly as a result of the companies' greenwashing tactics, which raise doubts about their corporate integrity in the eyes of the public. Businesses who are genuinely trying to protect the environment are facing significant challenges as a result of this unfavourable outlook. This study's main goal was to find out how customers in developing nations perceive the influence of stakeholders on companies that use greenwashing techniques.

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