A Study of Ethical Green Marketing

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Abstract

This thesis examines the extent and scope of influence of ethical and green issues on organisational decision making strategies. It further analyses companies' approach to such themes and the manner in which ethical and green marketing is implemented. Associated concepts such as corporate social responsibility, sustainable development and so forth, as well as the background to the emergence and growth of interest in environmentalism and the relevant ethical perspectives are explored. A comprehensive review of the literature carried out over almost 10 years and spread over a number of chapters is further complemented by the findings of case studies based on organisations participating in this research programme, in 1999, 2003 and 2005. The result is an invaluable insight into major ethical and green theories and concepts as well as their possible implementation by the firms in question. This compares and contrasts theory with practice and is also used for triangulation purposes.

The findings indicate that, overall, organisations are either increasingly implementing green policies or are seriously considering their application to their operations and activities. Driving forces of company greening policies were also discussed in this thesis. Although the majority of organisations agree with the notion that 'good ethics are good for business', there was no indication of an industry wide paradigm shift. Higher levels of consumer cynicism and suspicion of 'green-washing' was also noted. Marketing managers have a major task to educate and, convince consumers and promote green products as those that are of high quality, value for money, accessible and simultaneously green. A further social responsibility of marketing managers is to move beyond product focused greening and to formulate and implement holistic marketing strategies that encompass all components of marketing and business.

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Introduction

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Background

"Things can change. Who would have thought 20 years ago that restaurants and offices would be 'no smoking'?"

Bob Worcester, Chairman of MORI

Organisations operate in an ever- changing environment. Changes in the macro, the micro and internal environments must be taken into consideration when formulating organisational strategies. Among notable changes in the business environment over the last decade or so, has been the growing influence of social responsibility which would encompass caring for the environment. Indeed caring for the environment cannot really be divorced from corporate social responsibility. An increasing number of organisations are seriously considering the impact of their operations on stakeholders as well as the environment if one is to consider the proliferation of corporate social responsibility policies, allocation of specialist personnel by those firms (see for reference Provident Financial and Yorkshire Water). This is due to a number of factors such as compliance with national as well as European Union wide and international legislation, responding to societal changes (push factors) and possible financial gains and enhanced reputation (pull factors) thus communicating a more socially responsible image of a company. Considering the adverse publicity generated by organisational financial (and other) disasters, e.g. in the cases of WorldCom and Enron, it is in a business's interest to be socially responsible. The damage caused by corporate malpractice can be both immediate and enduring.

"*The biggest incentive for companies to behave properly is the damage caused when they do not. Take Citigroup, the world's largest financial services company, which has seen its share price dragged down this year by a series of legal and regulatory problems that have cost it billions of dollars* (Maitland, 2004, Financial Times, November 29).

Gilligan and Wilson (2003) refer to the emergence of 'the new consumer' who treats big business and brands (as well as politicians) with a great deal of scepticism. The onus is on organisations to convince 'the new consumer' of an organisation's commitment to social responsibility and allay his/her fears and suspicion. Part of this is the application of the Balanced Scorecard and the attachment of appropriate weighting to non-financial (as well as financial) achievements.

There are some organisations that take a pro-active stance in this respect and not merely react to the factors mentioned above. Social responsibility refers to a company's obligation to maximise its positive impacts on society and minimise the negative ones. Hollensen (2003) refers to it as: *"the collection of marketing philosophies, policies,* *procedures, and actions intended primarily to enhance society's welfare".* At the same time, it could be argued that larger numbers of customers are increasingly demanding that organisations in general and marketers in particular behave in an ethical and socially responsible manner (Carrington and Attala, 2001). This demand from consumers may also be reflected in legislation and regulations. Organisations perceived as socially responsible may achieve a competitive advantage which can also be financially rewarding. Organisational performance can no longer be measured in financial terms only. Ethical indicators are employed to gauge companies' social responsibility stance. For instance, Holliday et al. (2002) write that since its launch in 1999, the Dow Jones Sustainability Index (DJSI) has tracked the performance of the leading sustainability driven companies worldwide. That Index has consistently outperformed the Dow Jones Global Index.

The close identification of Bill Gates with Microsoft, has paid sizeable dividends in the form of a very favourable company perception as a responsible corporate citizen. When chief executives and NGOs were asked which of the world's companies performed best on corporate social responsibility, their answers propelled Microsoft to the top of the list. And a large proportion of those replies mentioned Bill Gates by name citing his personal donations to charitable and health projects. One of Microsoft's rivals, IBM came second in the world's CSR ranking according to NGOs. One of its main strengths appears to be its emphasis on environmental sustainability and treatment of employees.

BP and Royal Dutch/Shell two of the world's major oil producers secured the third and fifteenth places respectively. This is perhaps an indication of BP's commitment to its much publicised social and environmental programmes. A surprising ranking was that of McDonald's on the sixth place in the afterglow of its recent menu change to include healthier options (FT report- World's Most Respected Companies, 19th November 2004).

Corporate social responsibility is no longer a luxury to be possessed by only a few companies; it is becoming a major requirement for survival and success. A recent Globe Scan (2004) survey of 'experts' reiterated the increasing importance of corporate social responsibility. For instance caring for the environment that was given 67% in terms of importance in 1999 had increased to 76% in 2004. Worker safety was up to 83% from 75% for the same period.

However, the following quote issues a note of warning:

> *"A recent analysis of 95 empirical studies on corporate social performance and corporate financial performance by Harvard's Joshua Margolis and JP Walsh at the University of Michigan showed that about nine times as many studies revealed a positive correlation between corporate social performance and corporate financial performance as those that indicated a negative one. These results suggest that, over the long run, CSR pays off. Nonetheless, it should be noted that the difficulties of conducting such studies are huge, and even these encouraging data should be taken with a grain of salt. Hundreds more studies may be necessary before we can claim on the basis of research that corporate social responsibility pays."*

http://news.ft.com/cms/s/748f21be-d.377-11d9

Carroll (1991) offered the Pyramid of Social Responsibility which is perhaps analogous to Maslow's hierarchy of needs. This model explains the various levels of social responsibility namely economic, legal, ethical and philanthropic.

It highlights the notion that without fulfilling the basic responsibilities it would be impractical to aim to address the higher ones. A company can be profitable while it is also ethical and socially responsible. However, putting this into practice is not always an easy task. As previously stated stakeholders (including consumers) have a number of expectations from marketers. This is underlined by Ferrell et al. (1999, p 11) who suggest that *"marketing ethics refers to principles and standards that define acceptable conduct as determined by the public, government regulators, private interest groups, competitors and the organisation itself"*. Mere compliance with legislation does not make an organisation ethical. Marketing ethics aims to gain trust from stakeholders, create and maintain a long lasting relationship. However, without senior management commitment marketing ethics and social responsibility cannot be achieved.

This study focuses on green marketing as a component of marketing ethics which itself is part of corporate social responsibility. Amongst many definitions of green marketing below is one offered by Hollensen (2003, p 764): "*...is marketing ecologically sound products and* *promoting activities beneficial to the physical environment".* The effects of organisations' economic operations on the environment have concerned individual and societies for centuries. Lowe and Goyder (1983) refer to four main eras namely the 1880s, the 1920s, the late 1950s and the early 1970s. (N.B. The background to green marketing is discussed in greater detail and depth in the review of the literature, chapter 2). Major environmental disasters and the growing concern on issues such as global warming, have over the last decades added impetus to environmentalism. Businesses have tried to address this concern to a varying degree of success and commitment.

An increasing number of organisations have been involved in green marketing which should include more than the supply of green products, i.e. the greening of the other marketing mix elements and supply chain management. Martin and Simintaris (1995) referred to such developments: *"consumers' consideration of environmental matters in their purchases and their willingness to pay a premium for green products led marketers to identify the environment as a key market opportunity and as a result, a number of green products were introduced" (p. 17).*

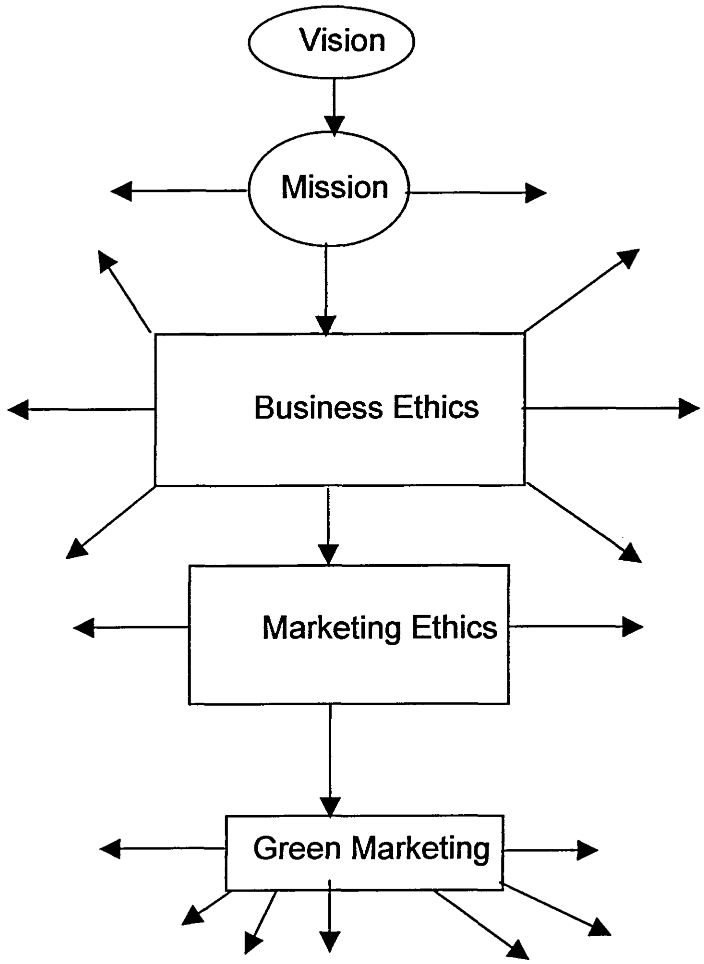
Although the opportunity exists in the market place for organisations to engage in green marketing, D'Astous et al (1997) believe that consumer knowledge of environmental issues cannot always be regarded as a strong predictor of green purchase behaviour. Later in the thesis the ladder of green-ness will be examined where the degree of consumer (and company) green-ness is studied. For the militant greens or green advocates (on the upper rungs of the ladder) environmental concerns would be considered far more seriously than those on the lower rungs of the ladder such as anti-greens. However, research indicates that even though

> *"green consumers may be more likely to include green brands in their repertoire, most will purchase a range of other brands. Similarly the more price sensitive consumers are unlikely to remain loyal to one brand and will almost certainly purchase green brands when these are discounted, or when their value is enhanced in some other way"* (Hoek and Gendall, 2002, p 54).

Marketing managers, therefore, must be informed that green attributes on their own are not sufficient to attract 'promiscuous' consumers to their brands especially involved in low involvement purchasing decisions. Furthermore, as authors such as Berger (1993) and Ottman (2004) observe as well as green attributes, other variables such as performance, quality, convenience and price should be equally considered. Hoek and Gendall (2002) state that:

> *"Imbuing a brand with green characteristics will not alter the fundamental structure of a market. However, for some consumers, it may improve that brand's position relative to other brands, and this may justify costs incurred. Decisions about associating green attributes with a brand need to be tempered by the knowledge that consumers trade these characteristics off against competing attributes. Managers should not, therefore, expect dramatic improvements in the brand's performance to follow automatically" (p 54)*

At the outset it was suggested that green marketing forms a part of marketing ethics. The diagram below illustrates such a link:



(Author)

It is in the interest of organisations to pay due attention to their responsibilities to their stakeholders and the environment. Ferrell et al. (1999) warn that:

> *" companies that do not develop strategies and programmes to incorporate ethics and social responsibility into their organizational culture will pay the price with potentially poor marketing performance and will face the potential costs of legal violations, civil litigation, and damaging negative publicity when questionable activities are discovered by the public" (p. 170).*

The thesis aims to test the extent of the impact of ethics and green marketing on organisations. As the diagram above suggests there is a strong link between marketing ethics and green marketing and the two are inseparable. For this reason while the main focus of this thesis is on green marketing, ethics cannot be divorced from this study.

The major objectives to be investigated by the proposed research are:

- To critically evaluate literature on green marketing from a variety of sources.

- To analyse and evaluate drivers of green marketing.

- To examine organisational green marketing strategies and their implementation.

It is expected that the above objectives will satisfy the over-riding aim that is to contribute to the development of a theoretical base for green marketing by addressing, analysing and explaining current, emerging and future themes surrounding ethics in marketing and green marketing. Chapters one to three will deal with the first objective, while preparing the background to tackle the second objective. Chapter five covers research methodology applied in this study. Chapter four examines business strategies and the relationship with green drivers, while chapter six analyses the findings on companies legally obliged to be green. Chapter seven deals with findings on customer led organisations. Chapter eight studies the cases of self-confessed ideologically green organisations. The extent and degree of influence of the green marketing drivers on the organisations used for this thesis are then analysed in chapter nine. Objective three is examined throughout chapters four to ten. Finally chapter ten provides a conclusion.

The major motivation behind this research work was the author's personal interest in ethics in general and green marketing in particular. Having completed an MBA (specialising in marketing) and an MPhil in Peace Studies, where ethical themes were dominant, this seemed an ideal way of combining the two disciplines. The three following chapters examine literature on ethics and green marketing.

Chapter One

The Concept of Green-ness

Introduction

This chapter will analyse the development of concern about the environment and how over the years it has gained momentum and prominence. A discussion on sustainability and sustainable development as well as the possible link between environmentalism and sustainability and the extent of its importance within the notion of green-ness will then follow. Legislation and the imposition of rules and regulations have been instrumental, to some extent, in caring for the environment, and greening of organisations. Due to their importance, local, national and international initiatives that relate to the environment will be examined in greater detail in chapter four when studying the various drivers of green marketing. Furthermore, cost benefit issues surrounding green policy implementation will also be discussed in some detail in chapter four.

There is an absence of clarity as to what the term 'green' signifies to individuals and organisations alike. Varying categories of green have been offered by a number of authors. It is important, therefore, to discuss differing definitions of green-ness as well as 'the ladder of green-ness' for this purpose. A reference will also be made to the response of organisations that participated in this study, to their categorisation of their perceived green-ness.

1.1. Development of Concern about the Environment

It is difficult to provide a precise date for the birth of environmentalism and its business arm green marketing. However, it can be argued that various groups comprising politicians, academics and the society as a whole have been instrumental in creating an awareness of such issues. Wasik writes *"...this philosophy is built on 4000 years of Taoist, Buddhist, indigenous, Transcendentalist and modern scientific wisdom"* (1997, p. xv). From a political perspective, historically and sociologically, the ideas on democracy of most of the West European green parties emanated from the models provided by the New Left in the late 1960s and from the practices of the new social movements in the 1970s and 1980s. Although a political demarcation line could not realistically be drawn between green and non-green individuals, the same cannot be said of organisations and governments alike. For instance, the Bush government and the New Conservatives -so called new-cons- in the United Sates have vehemently denied or ignored the impact of business on the eco-system and focused on economic growth. Despite the overwhelming ratification of the Kyoto Treaty at the time of writing this thesis by many nations, the US and Australia are still very much the notable absentees.

A number of authors (Ledgerwood et al, 1994) have referred to the 1960s as the time when a 'new consensus' emerged vis-à-vis environmentalism. Prothero (1998) makes a special reference to the pioneering research carried out in 1973 and 1974 by George Fisk, amongst others. Peattie and Crane (2005) view the late 1980s as the era when green marketing emerged, despite the existence of some attention to it in the 1970s.

In the US, Bowie (1986) regards 1974 as a milestone, since the first conference on business ethics at the University of Kansas took place. He suggests that this began with the issue of so called whistle blowing and reaching themes such as corporate social responsibility and the like.

In the UK the early 1990s saw Peattie as an author of basic green marketing texts, although Welford (1995) regarded the former's approach as one that mirrors the marginalist approaches he has referred to in his book. Welford prefers the works of 'more enlightened commentators' such as Coddington (1993) who sees green marketing as requiring two main features, namely an environmental perspective whereby it assesses the effect of corporate actions on the environment, <u>and</u> an environmental commitment where the organisation resolves to become an environmental steward and to reflect that posture in all its actions. In the US this new consensus led to the creation of the US

Environmental Protection Agency in the early 1970s and the emergence of new environmental laws to be observed globally.

The list of various turning points concerning the environment begins with the (first) publication of Rachel Carson's 'Silent Spring' in 1962, highlighting the 'marginal academic concerns of the 1960s'. Indeed, that era did attract such sentiments and concerns; however, the audience tended to be small and composed mainly of the young and educated masses. The situation has certainly altered since those days as concern for the environment attracts a much wider audience these days and from different cross sections of the society with different shades of green.

Carson warned people of the dangers of pesticides, in particular DDT to individuals as well as to the environment. However, she advocated a 'precautionary principle' vis-à-vis synthetic chemicals reduction, stating that since a high number of chemicals have been produced, the task of monitoring their impact on individuals, in addition to the ecosystem, was an impossible one.

> *"The 'control of nature' is a phrase conceived in arrogance, born of the Neanderthal age of biology and philosophy, when it was supposed that nature exists for the convenience of man"* (Carson, 1962, cited by Burnside 18th May 2002, the Guardian, p 4).

In the same decade Pollution Probe was created in Canada in 1969 '*to discuss a series of disquieting pesticide related stories that had appeared in the media'*. (http://www.web.net/pprobe/probe.htm).

It is worth pointing out that such initiatives might have not appeared to be of mainstream in nature, or even be seen piecemeal, however, without their presence the current level of environmental awareness would not have bee achieved. Incremental though such efforts may seem in retrospect, each step has contributed to the present day global awareness of ecological issues and themes, although sadly not always to changing consumer behaviour.

The year 1972 saw the publication of 'Thalidomide and the Power of the Drug Companies' by Sjostrum and Nilsson. The latter played an important part in 1965 in preventing the use of mercury containing pesticides in Sweden. In the same year the Stockholm Environment Conference initiated governmental and institutional debates that acted as a precursor to present day discussions on environmentalism. Without such whistle blowers the drug companies would have perhaps continued with their operations for a longer period of time harming an increasing number of consumers and the environment.

The publication of the Brundtland Report in 1987 led to global embracing of the principles of sustainability, although according to Peattie (1995), not every government implemented it. The 1992 Rio Summit highlighted the complexity of such tasks (Cannon, 1994). The same year also saw the establishment of the Business Council for

Sustainable Development partly due to Schmidheiny's 'Changing Course'.

The 1980s witnessed the rapid growth of environmentalism assisted by the impact of industrial development on the environment. Carincross (1991) noticed a proliferation of new pressure groups and the quadrupling of the membership of well established (environmental) movements. Murphy and Bendell (1997) saw the concern for the environment being *an issue near the top of the political agenda in western industrialised countries* in late 1980s. If the growth in the sale of organic foods and ethical investment is to be used as indicators, environmentalism is very much on the agenda in 2006.

1.1.1. The Waves of Environmentalism

In addition to the previous comments, Murphy and Bendell (1997, p 56) also suggest three environmental waves commencing 1900. However, prior to that period there was also concern for sanitation and anti-smoke legislation as well as a prohibition of food adulteration.

"First Wave circa 1900-1960- Actions: establish wildlife parks, birth of nature preservation groups. Thinking: Preservation Ethic: nature seen as beautiful wilderness to be protected from man.

Second Wave circa 1960-1990 – Actions: the emergence of direct action protest linked to pollution, waste and habitat destruction issues. Thinking: Ecology Ethic: the environment seen as an integrated whole, threatened by pollution.

Third Wave circa 1990- onwards- Actions: partnership with business and use of market mechanisms. Thinking: Solutions Ethic: problems solved in co-operation with business. Incremental change accepted".

These waves have highlighted the importance of the environment to mankind and placed an onus on them to preserve it and work in partnership with industry and/or government to achieve results. Educating the individual citizen about such issues has also resulted in higher levels of environmental awareness. To turn that awareness into action has not been an easy task. Overall a move away from a 'blame' culture to a 'solutions' culture, and emphasis on working together is required. Partnership has become a key word either in reference to NGO/business co-operation or business/government collaboration (Wasik, 1997).

When discussing environmental issues, increasingly the terms sustainability and sustainable development are referred to. Below is an analysis of the terms as well as an explanation of the link between green issues and sustainability.

1.2. Sustainability and Sustainable Development

Sustainability is defined as: *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs".*

(United Nations Brundtland Report, 1987)

It can be argued that sustainability is prized by business as one of its highest objectives. Few organisations wish to destroy the source of their profitability. Every chief executive hopes to find a product or service that will continue to be in demand eternally, whatever the societal trends may be. The trick, according to Jonathan Porritt (2005) is to harness that instinct in the service of environmental products. Organisations must become aware that adopting an environmentally protective and conscious attitude rather than pursuing short-term gains while harming nature can ultimately lead to enhanced benefits for the company.

Sustainability and green-ness cannot be separated and are intertwined. Indeed, it can be argued that sustainability is at the heart of green-ness and green marketing cannot be achieved without sustainability. Furthermore, sustainable development cannot be implemented without due care and consideration to green issues and themes. However, the term green is perhaps viewed as rather vague and a popular vehicle for marketing purposes but it encompasses more than sustainability and covers issues such as health, environmental aesthetics and so forth.

"Ideas on sustainable development are not the only methods for 'greening' international business activities…(but as) a system in which all things are interconnected".

(Lozoda and Mintu-Wisatt, 1996, p 67)

Sustainability in its strictest sense refers to maintaining the present state of production, consumption and waste disposal in a manner that no further harm is inflicted on the environment while constantly seeking a more environmentally efficient means of production, consumption, waste minimisation and disposal. It can be argued that such an approach could be applicable only if the world and its inhabitants remained satisfied with the existing levels of production and consumption. In practice, such a situation is untenable. Increased consumption requires higher levels of production and as a result harms the environment should the present production techniques continue to be used. The industrialised nations, the US in particular, are blamed for most of the environmental damage. However, the emerging nations also seek to achieve economic growth that could entail further environmental harm. This damage can be minimised or eventually halted by means of employing green production technology. Sustainable development does not intend to block economic growth and increased levels of production and consumption. It does, however, stress the need for improved and green means of production, such as the use of recycled materials and the manufacture of products capable of recycling and biodegradability.

Lozada and Mintu-Wimsatt (1996), however, warn that:

"T*he notion of physical sustainability cannot be secured unless development policies pay attention to such considerations as changes in access to resources and in the distribution of costs and benefits*" (p. 67).

Indeed such an ecological approach will not be limited to the biological systems but will also encompass interactions of the ecosystem with human, social, technical and economic systems (Gray, 1992 and Lovelock, 1982 and 1988).

At times sustainable development is viewed with suspicion as the following quote may elaborate:

> *"Sustainable development is a flag of convenience under which diverse ships sail, and it is this catholic scope that goes a long way to explain its power and popularity as a term.... [It should embrace] micro and macro scale, from peasant to transnational corporation, from field to biosphere.... [It needs to be] lodged in practice, within the daily realities of people's lives"*

(Adams, 1993, pp. 218-19)

Vis-à-vis the meanings of the concepts of sustainability and sustainable development, two lines of development can be roughly distinguished back to the early 1970s. The first line begins with increasing concern in the West about environmental degradation and the incompatibility between our industrial life and the continued existence of a safe, clean, healthy and rich environment. The other line goes back to the United Nations Conference on Human Environment (Stockholm, 5-16 June 1972).

The less developed nations at this conference resisted a view of the environment and of desirable environmental policy with a great deal of stubborn-ness since it bore, as usual, too much of the stamp of western concerns. The first line has stressed a sustainable society and a static economy. Whereas the second line resulted in a conceptual compromise, i.e. the concept of sustainable development, which permitted some economic growth. But does economic growth imply environmental destruction? It really depends on how radical one is in his definition and application of green marketing.

A true radical would suggest that any form of growth and implied production uses scarce and finite resources. A less radical individual might be willing to see some growth and production as long as the materials used are recycled and capable of being recycled.

1.2.1. Problems Associated with Sustainable Development

Sustainable development, therefore, is a noteworthy concept that is plausible in theory but troublesome in practice. Resistance to sustainability might emanate from three possible areas (Lozada and Mintu-Wimsatt, 1996):

1. On a macro level the Less Developed Countries (LDCs), as well as developed countries may find it difficult to comply with its tenets. Survival of the population, in many occasions will have priority over environmental concerns. Numerous LDCs are desperately short of funds to even ensure the supply of basic food items, health care and educational facilities; looking after the environment might appear as a

luxury item to many. Furthermore, developing nations see it as a right to achieve economic growth following the example of the developed countries and the benefits that such growth may offer them.

2. SMEs may find it also difficult to forsake short-term benefits for long-term gains. Those short of funds will be unable to provide the initial capital outlay for environmentally related projects.

3. On a micro level, many managers even now see environmentalism as something that does not affect them, or is short term in nature. Therefore, their environmentalism begins and ends with compliance with regulations. Non-conforming could not only result in financial penalties but also damage an organisation's public image. Companies would be ill advised to take such risks. There are still some industries that have not yet been directly influenced with such issues or those that due to nature of their operations and products cannot be realistically expected to go beyond mere compliance. Companies operating in the so called 'sin industries', e.g. the tobacco firms would be in this category. That said the way certain petroleum companies have recently been publicising their green credentials is perhaps an indication of the fact that regardless of what an organisation produces there is still scope for environmental initiatives. In a similar manner British American Tobacco (BAT) argues that health risks posed by its products make it all more important to act responsibly. Its leaders have arrived at the conclusion that reputation was crucial to the success of any organisation and that

social responsibility issues should be considered alongside growth and productivity. Having examined other companies' CSR programmes and in consultation with stakeholders, BAT decided to develop tobacco industry business principles while incorporating generic standards of good practice (People Management, September 2005). This would encompass mutual benefit, i.e. consideration of all stakeholder needs, responsible product stewardship which would include the provision of clear, accurate messages about the dangers of tobacco consumption and good corporate conduct. Considering the fact that its products are fatal can anyone take these comments seriously? Would the provision of clear messages give the company a clearer conscience to continue production? BAT was criticised during its annual general meeting by pressure groups for using corporate social responsibility in order to delay or subvert advertising bans, higher duty on tobacco and public smoking bans. www.find.galegroup.com

However, there seems little doubt that the future of the Earth and its inhabitants depend heavily on concepts such as corporate social responsibility and sustainable development and their implementation. In any business, continuous careless consumption of scarce resources, without their replenishment can lead to environmental degradation. The same simple principle applies to the planet Earth and resources within it.

"We're basically living off our capital and compromising the future well-being of generations to come. It's ironic that business is the most likely institution (to master change), but it has the greatest capacity to reinvent itself".
(Lozada and Wismatt, 1996, p 73, quoting Peter Senge).

Having examined sustainability and sustainable development, it is logical to study what constitutes 'green' and 'green-ness' especially since sustainability and green are used interchangeably in a variety of media. This would also pave the way to analyse the drivers of green marketing later in the thesis.

1.3. Definitions of Green-ness

Part of a study carried out by Carrington and Attala (2001) based on focus group discussions suggested that although consumer sophistication had been on the increase, this had not translated into behaviour that favours ethical organisations and penalises unethical companies. Indeed, the onus is on marketers to encourage consumers to participate in positive buying behaviour that favours ethical marketing (and its off shoot green marketing). Consumers as well as organisations can and do vary in their degree of green-ness. The ladder of green-ness diagram will later explore this concept in more detail. Interviews with a number of organisations for the purpose of this study also referred to this ladder in order to ascertain their green-ness extent.

It would be foolish for an organisation to overlook consumer demand, attitudes and beliefs. One basic marketing rule is to identify customer needs and provide products/services that satisfy them. A number of companies have identified consumer green needs and supply them profitably.

The Organic Café, fully credited by the Soil Association, has been referred to as one such success story, by Lee (1999). This is a company that has detected public fear over food safety and offers a healthy and green alternative. Others are Lush Cosmetics, Suma Wholefoods and Green and Black's Chocolate company.

Green consumers are not exclusive to the industrialised and developed nations. Developing nations too wish to save the environment by means of a number of initiatives. Amongst some notable environmental dates are the following:

- 1972 First Earth Summit – formation of the UN Environment Agency
- 1975 OECD establishing the principle of 'polluter pays'
- Early 1980s environmental audit carried out by many large organisations
- Various environmental disasters e.g. Bhopal and Chernobyl, etc.
- Various UN Earth summits of the 1990s

In a survey carried out by Environics in 2000, a Canadian organisation challenged the notion that poor countries cannot afford the luxury of high green standards. It stated that some consumers from such countries might be even greener than their more affluent counterparts. The survey which included 27 countries rich and poor, highlighted 'latent activism' amongst poorer consumers and the fear of individuals from effects of pollution. While only 20% of respondents from nations such as Britain, France and Japan expressed concern about pollution. The figure for poorer nations is more than 50% (The Economist, 8-14 January 2000).

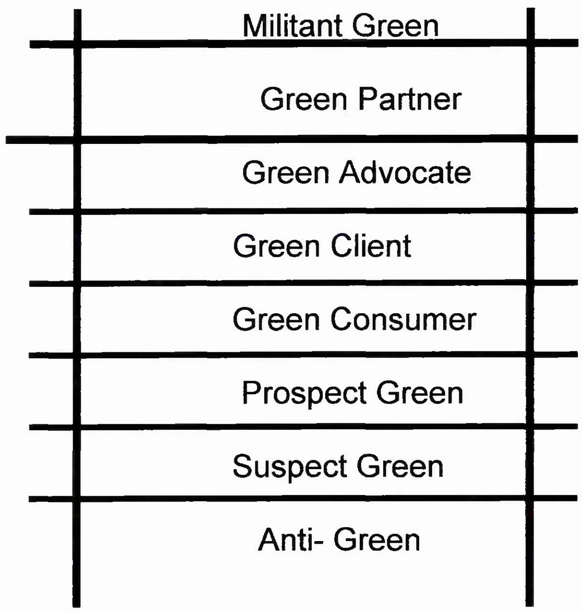
1.3.1. What is a Green Consumer?

The term 'green consumer ' is used here to signify the individual who in their purchases (and use of products and their disposal, etc.) aim to select commodities that:

- Do not harm the environment
- Use as little resources, power, ingredients, raw materials as possible
- Have as many recycled components in them as possible and have the maximum capacity for recyclability.

It is possible to offer an ideological ladder of green-ness as far as consumers and organisations are concerned. This would not be dissimilar to 'the ladder of loyalty' used by authors such as PR Smith (2000). A militant green is one who might even resort to violence in order to save the environment. Premium prices for green goods would not deter such a customer from making a purchase. A green partner is one that would actively advise or consult a company on its green products/services and the same comments on prices would also apply to this category and the one below it. A green advocate would actively praise a company on its green policies, products and/or services and would recommend it to friends or colleagues. A green client is a repeat purchaser of green commodities. The trend might continue, however, other factors such as prices of substitute goods and other sales promotions might turn this category into a prospect green or a green consumer. A green consumer has purchased green products for a variety of reasons and may or may not become a green client. The suspect green will require a great deal of encouragement in order to become a prospect green who even then will be in need of further inducements prior to becoming a green consumer. The last extreme, anti-green will not purchase green products and is perhaps ideologically averse to green issues and green policies. Stereotypification of militant greens and their publicised activities may well produce such a cohort of anti-greens who may even view them as extreme left elements.

1.3.2. The Ladder of Green-ness



(Author)

A 'true green' product would be extremely difficult to produce. Perhaps the word 'greener' should be considered as an alternative. In the same vein a true green consumer cannot realistically exist either. There are shades of green consumer ranging from those who are totally committed and dedicated to green causes, to those who are merely aware of the existence of 'green' products and companies. Roper's Green Gauge statistics, as cited by the Wall Street Journal on 6th March 2002, states that 41% of (American) consumers do not purchase green products due to their perceived inferiority. However, the concern for the environment had risen to an all time high led by the 18-29 year old people who grew up with such issues and now are brining it to schools, places of work and voting booths. Fifty six per cent agreed 'I would do more for the environment, but I don't know how'. (Ottman@greenmarketing.com)

Straughan and Roberts' (1999, pp. 558-575) research identified important psychographic predictors of 'green' consumer behaviour:

- *"Perceived consumer effectiveness- whether what we do as individuals makes a difference;*
- *Altruism- a concern for the welfare of others;*
- *Liberalism- left wing political beliefs."*

However, Straughan and Roberts conclude that while liberalism and altruism play a part in green consumer behaviour, it is an individual's belief that 'a person can play a major role in fighting ecological degradation', that is the real driver. They further suggest that the green message has become so ubiquitous that it is no longer in the exclusive domain of left- wingers and environmentalists. Although Liberals may be more likely to hold such beliefs, Straughan and Roberts observe: *"...it appears that this type of behaviour transcends ideological boundaries..."* (1999, pp. 558-578).

1.3.3. Green Marketing - Patterns of Thinking and Development

"Let's get one thing straight. For all but a handful of firms, 'green marketing' isn't about saving the planet, it's about saving the business. We adopt 'green' practices and develop 'green' products because consumers seem to want them. And governments (who are chasing votes from those same consumers) are not far behind threatening us with new laws and added regulations. Free enterprise must adapt in order to survive."
(Straughan and Roberts, 1999, pp. 558-575)

The following diagrams aim to illustrate various viewpoints and thinking that have developed over the last decade. This is only a summary of a number of such viewpoints.

Green Marketing
- Social Responsibility
- Sustainability
- Holistic Approach (Holism)

Peattie (1992)

Peattie combines social responsibility with sustainability and advocates a holistic strategy to the greening of the company, i.e. the greening of the entire organisation rather than the token offer of a selection of so-called green products. Social responsibility and sustainability are required to be applied to all management disciplines and not just marketing.

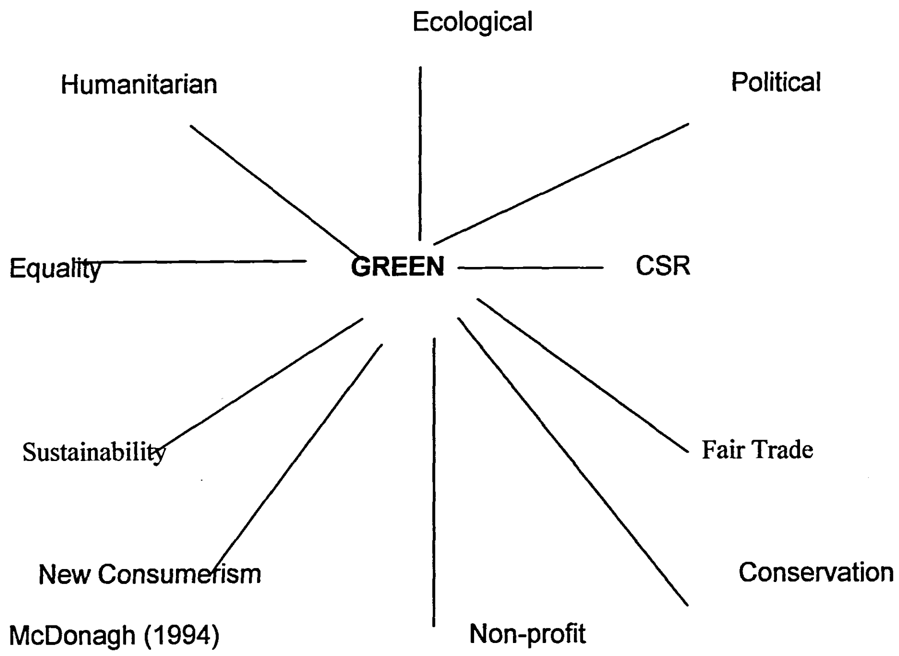
Green Marketing
- Environmental Perspective
  - Global issues
  - National issues
  - Local issues
- Environmental Commitment
  - Environmental policy
  - Env.al improvement programme
  - Environmental education

Coddington (1993)

Coddington applies a two pronged approach to green marketing namely environmental perspective and environmental commitment. The first views the overall scope of responsibilities of the organisation while the second translates those into action ranging from educational to environmental improvement programmes.

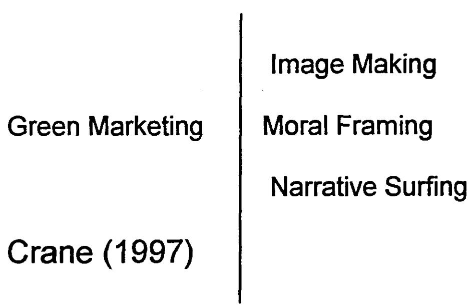
	Corporate policy
	The 4 Ps
	Quality and effectiveness
Green	Personnel policy
Marketing	Environmental information systems
Welford (1994)	Education, communications and product stewardship
	(linked to environmental information systems)

Welford's model of green marketing emphasises corporate policy's important role in shaping an organisation's green marketing and reinforces the part played by company directors and senior managers. The traditional 4Ps of the marketing mix are also considered while highlighting their quality and effectiveness aspects. This is a point that has been stressed by Ottman (2002) on numerous occasions stating that a product will not sell on its green credentials only and further reinforced by referring to the role played by education and communication, i.e. a green product has to be introduced to consumers and its benefits articulated and communicated to them. At times the organisation may be the green crusader or the steward of green marketing in the industry.



McDonagh (1994)

McDonagh's model encompasses a wider variety of components ranging from equality to corporate social responsibility and new consumerism. He refers to what 'green' means within the context of advertising, suggesting that for different people 'green' will relate to one or more of the components illustrated in the diagram. More than 20 years later this suggestion still seems valid when considering the individuals and organisations views on what green and green marketing are.



Crane (1997)

Professor Crane's approach to green marketing has always contained a more philosophical dimension to it as compared with other authors on the subject. His interpretation of green marketing, however, suggests that companies may utilise it for the purpose of corporate image enhancement (see for instance recent efforts by BP and Shell), for moral framing, e.g. the Body Shop, the Co-operative Bank, or indeed narrative surfing where it is employed as a green gloss.

A more comprehensive model could be constructed as suggested below. It uses Peattie's basic model and builds on it. Sustainability has been replaced by sustainable development since the former can only exist in theory and would be of little practical use to organisations. Furthermore, by simply applying green marketing to the marketing department, the organisation cannot claim to be wholly green. As such every department, operation and activity has to take into account any possible damage that it may cause to the environment and the society. This is where the holistic approach can make its impact. The organisational balanced score card, developed by Kaplan (1992), takes into account more than mere financial performance, as far as an organisation's success is concerned. In its basic form its components consist of financial perspective, customer perspective, internal business perspective and finally, innovation and learning perspective. This concept will be analysed and explained fully in later chapters.

	Corporate Social Responsibility
	Sustainable Development
Green Marketing	Holistic Approach (Holism)
	Organisational Balanced Score Card

(The Author)

What may be concluded from the above models is that the terms environment, social responsibility and sustainability tend to be the common denominators. This would imply that green marketing would need to include those as its basic constituents. However, the word sustainability is perhaps the single most commonly perceived definition of green marketing by companies.

1.4. A Critique of Green Marketing

Has green marketing achieved what it promised? In the afterglow of the so called discovery of the environment by academics and marketers and the publication of numerous research papers and the launching of green products over the last two decades, green marketing has emerged as an under achiever (Peattie and Crane, 2005). What became of the 1990s 'green revolution' in marketing and the emerging 'green tide' (Vandermerwe and Oliff, 1990)?

A significant gap between green concerns of consumers and their actual behaviour has been reported (Wong et al., 1996, Peattie, 1999 and Crane, 2000). Green brands such as Ecover and Down to Earth have not continued to enjoy their 1990s' growth and the alternative green ranges of companies such as Lever Brothers and Sanisbury's have been withdrawn.

Has green marketing failed in its attempts to adapt to behavioural changes in businesses and move in a sustainable direction? Peattie and Crane partly blame consumer cynicism and distrust of companies' green claims. *"Green marketing will not work in the face of consumer distrust, but then that distrust may be partly a product of the types of 'green marketings' that companies have relied upon so far." (2005, pp 357-370)*

During their onslaught on green marketing's under achievement, Peattie and Crane (2005) draw parallels with King's (1985) reference to failures of marketing. King had asserted that such failures were attributable to the various so called marketing approaches, namely 'thrust marketing', 'marketing department marketing', 'accountants' marketing', and 'formula marketing'.

Peattie and Crane (2005) offer the following categories of green marketing applied by organisations (that have contributed to its under achievement):

Sales orientation- the use of the environment by companies as an add-on promotional dimension with no further realistic attention to analysis, or modification of the product and its environmental impact.

Compartmentalism – AKA 'marketing department marketing', i.e. an isolated marketing department seeks to pursue green marketing.

Finance orientation- AKA 'accountant's green marketing', i.e. obsession with short- term profitability and limited concern for long- term brand building. Such orientation may be limited to issues such as packaging reductions or energy savings.

Conservatism- akin to King's 'formula marketing', avoidance of significant change or innovation and imagination, and focus on incremental improvements to current products and processes.

Peattie and Crane (2005) further write that many of the problems that have prevented mainstream marketing from being developed in a more effective manner in the past can also be applied to green marketing. They suggest five failed manifestations of green marketing as follows:

Green Spinning – most organisations in the 'dirty' industries such as chemicals, oil cars and pharmaceuticals tend to be in this category. Since they are more under scrutiny than other industries they frequently seek the assistance of PR and the use of lobbying, attractive publications and press releases to counteract possible pressure group or consumer attacks. Peattie and Crane (2005) see this approach as 'reputation management' and 'risk management', where green marketing has been pigeon holed within the public relations function, where emphasis is on promotion rather than product and production strategies. In the same manner customer focus is neglected where the emphasis is on corporate image building and company positioning. Green spinners are further viewed by Peattie and Crane, as conservative, negligent of dialogue with stakeholder groups and adherents of tried and tested policies and 'established mindsets'. Unable to see outside the box, they are inward looking and one might suspect prone to 'group-think'. Their limiting of marketing to PR only is a further indication of their inability to comprehend marketing per se.

Green Selling – Peattie and Crane (2005) suggest that the 1990s identification of consumers' growing interest in green issues might have been taken as a signal for companies to sell green. By this they imply that organisations began to identify environmental credentials in their existing products. This was either attention to any possible existing environmental benefits or indeed the absence of harmful environmental product attributes. The authors view this with a certain amount of cynicism and as a mere 'jumping on the short-term green bandwagon'. The focus in this case was on sales, where promotional activities were increased with a limited amount if any of attention to product development or market research. Such practice led to mounting consumer criticism, and increasing regulators' concern about facile green claims by companies. Peattie and Crane express no surprise that green products have been under-performing significantly in some cases. Indeed a number of organisations no longer publicise their green efforts for the fear of creating further customer mistrust. One solution to allay consumer suspicion has been the emergence of independent authentification bodies that would certify various green benefits. Unfortunately, the number of such bodies has been on the increase, causing further consumer confusion. Selling has not been translated into marketing in this case, deterring companies from applying green marketing as a strategy despite possessing green credentials.

Green Harvesting- environmentalism used as a means of cost cutting by organisations with short- term profit maximisation remaining as the focal point. Energy conservation, reductions in packaging and logistics, etc. have been the major catalysts in this category to turn companies green. Reduced production costs although beneficial to companies have not benefited consumers in the shape of greener and cheaper goods. The opposite has been the case where environmentally friendly products have been sold at premium prices. As such market penetration has proved to be difficult for green goods. Peattie and Crane (2005) refer to this category as companies plucking 'the low hanging fruits of greening'. Shelton (1994) suggested that further green endeavours by firms would entail increased radical changes and higher management financial and time investment to ensure success. However, Peattie and

Crane envisage green harvesters as culturally obsessed with cost cutting, short-term profits and shareholder benefits. As such they lack commitment to the formulation and application of strategic green marketing policies. When market research indicates less consumer interests in green products, such firms move away from their green agenda and that is why such green marketing 'guise' is a short- term and not a medium or long term phenomenon, assert Peattie and Crane (2005).

Enviropreneur Marketing- this is a further entry to the list of failed green marketing approaches as suggested by Peattie and Crane (2005). This approach as argued by Menon and Menon (1997), is supported by the commitment of an individual, section or organisation to innovative green production. The outcome has been the supply of cleaning products, cosmetics and toiletries, paper goods and food items. This type of marketing consists of two categories: boutique enviroprenuer marketing and corporate enviropreneur marketing. The former refers to small start-up organisations that focus on the production of green goods, e.g. the Body Shop, Ark and Ecover. The latter relates to large companies whose production of non-green goods is supplemented by the creation of green products, e.g. the early 1990s green efforts of Lever Brothers, Boots and Sainsbury's. The boutique category's growth amongst many such firms stalled, according to Peattie and Crane (2005) while the corporate type's green brands have either been discontinued and/or absorbed into mainstream product ranges. The failure of this marketing approach appears to be the overlooking of a key player in the market, i.e. the consumer, while such organisations speeded up their efforts to offer green products reliant on the market research results of the time. However, the market research, according to Peattie and Crane was *"poorly conceived and based on hypothetical situations, with too much scope for respondents to give unrealistic, socially desirable answers"* (2005, pp 357-370). Also the focus tended to be more on general environmental concerns than specific ecological themes that could direct companies to market particular green goods. Furthermore, there was an absence of large- scale, product-specific market research carried out by firms to ensure their green goods success in the marketplace. The mere awareness of consumers' desire for green goods does not necessarily translate into an in depth insight into their specific requirements, type of price-performance trade-offs, and the precise marketing strategies that they may respond to positively. The failure of this type of green marketing is attributed to their production only orientation at the expense of ascertaining the precise consumer requirements. As a consequence despite their good intentions, their products proved to be as either under-performing, expensive, or simply 'unsexy' to quote Peattie and Crane (2005).

"The average consumer would not understand that the reason their green detergents did not get their clothes 'whiter than white' was that they lacked the optical brighter additives which conventional detergents deposit on clothes (which hardly qualifies as 'cleaning' them). Similarly, they would not understand that green washing up liquids would not produce a big fluffy bowl of soap bubbles because they lacked polluting, cosmetic sudsers. "
(pp 357-370)

The ultimate failure of this category has been blamed on the absence of appropriate market research, comprehension of consumer needs and/or their education.

Compliance Marketing- organisations in this category are those whose greening does not stretch beyond compliance with existing and expected legislation. This compliance is employed by these firms to publicise their green credentials. Yorkshire Water that participated in this research would fit the category. Examples also include companies publicising the removing of the banned substance CFCs as an environmental benefit or an American company's self nomination for an environmental excellence award simply due to its compliance with appropriate environmental legislation (Peattie and Crane, 2005). This type of marketing also implies that companies will venture beyond compliance if they expect the arrival of imminent new legislation. A number of companies have reluctantly sought a more progressive green path whereby they proactively address the requirements for change and reactively *"shore up their barricades against any further legislation."* Car manufacturers have been placed in this group by Peattie and Crane as they are seen to divide their attention between green car design such as recycle-ability and/or bio-fuel engines, and lobbying law-makers to prevent stricter greenhouse gas measures. These so-called 'two-handers' come under the scrutiny of investigative journalists and pressure groups and may be labelled as hypocritical in their green efforts. This group's green strategies have not been accepted by the mainstream green consumers, nor have its policies made any major contributions to sustainability. Capitalism it can be argued is incapable of turning compliance green marketers into realistic green marketers. But what precisely is true green marketing?

Conclusion

This chapter has examined the development and evolution of environmentalism over the decades. It was pointed out that a wide variety of catalysts have been (and still are) instrumental in highlighting the importance of environmental concern, care and responsibility. The environmental metamorphosis has been incremental over a long period of time, however, it has been argued that each step has contributed to the present day heightened level of environmental awareness. Although admittedly such awareness has not always been translated into action by consumers. Due to the importance of sustainability and sustainable development vis-à-vis green-ness, an in depth study of the concepts have been offered as well as an explanation of the link between green-ness and sustainable development. It was argued that green encompasses more than sustainability or sustainable development. Other issues are also covered by the term green. It was asserted that the term green may be employed for strategies relating to the marketing of products. From a business perspective there will be a requirement for trade-offs prior to considering the implementation of green marketing by the company.

Various definitions of green-ness and appropriate models vis-à-vis this thesis were also discussed. This highlighted the many different individual and organisational interpretation of the term green and that despite an overall consensus relating to matters green, there are indeed shades of green that by employing the ladder of green-ness could be explained. Patterns of thinking relating to green marketing in the shape of models illustrates not only the evolution of that concept but also its interpretation by a number of authors of green marketing and related subjects. The researcher having considered those models bases his on earlier ones and offers a more comprehensive alternative. It becomes apparent from the model studied that the term 'green' indeed encompasses a wide variety of components, a more popular one being sustainability. Finally, a critique of green marketing was provided where professors Peattie and Crane, two established authorities on the subject examined the various forms of marketing that had been applied by companies in the guise of green marketing.

The next chapter will examine the ethical dimensions of green business policy and marketing. The views of proponents and opponents of such concepts will be assessed and the dilemmas encountered by organisations when implementing green or ethical strategies will also be discussed.

Chapter Two

Ethical Dimensions to Green Policy and Marketing

Introduction

This chapter will begin by examining the evolution and development of marketing and offering definitions of marketing and whether marketing practice reflects established ethical consensus or some marketing strategies perhaps seek to alter ethical positions. An analysis of Milton Friedman and the 'new right' concept of business management will be made and its critiques will be discussed. Furthermore, the problem of differentiating green policies that are proposed as a legal necessity from those policies that are based on ethical conviction in order to attract customers will be examined.

2.1. Historical Background of Marketing

It can be argued that marketing has existed in some shape or form for as long as human beings have lived on earth and traded with each other. Moore and Davis (1999) suggest that as early as ancient Sumeria and Babylon, large cities were in existence and required imported commodities. For this purpose long distance trade routes had been established and e.g. agricultural produce was exchanged for manufactured goods. Phoenician city states such as Tyre, Sidon and others gained prominence due to becoming entrepots, i.e. marketing transaction centres by parties from various locations in the Middle East and Mediterranean. Moore and Davis (1999) further state that true multinational private sector firms were emerging with multi-sector operations and multi-site locations. Many of these strangely resembled Chandler's M-form firm which apparently was not developed until the late 19th Century. Although these firms' marketing activities have remained unknown, some 1000 years later during the medieval commercial revolution, there is evidence of major multi-national players such as the Medici Bank. In addition, market records of the era and the arrival of the first textbooks on commerce inform the reader of the nature of marketing activities.

2.2. Evolution of Components of Marketing

A historical analysis of the components of marketing may provide further information in relation to the development of marketing. Although the researcher does not follow the 4Ps marketing approach, for the sake of analysis only, those elements are examined in this section. As far as **'product'** is concerned Western Europe witnessed a rapid growth in international commerce and long distance trade that included agricultural products and manufactured goods such as corn, wool, finished cloth, wine, salt, wax, tallow, leather and leather goods, as well as weapons and armour. Specialisation by individual producers meant that businesses and clusters of businesses tended to market narrow product lines.

A large organisation such as the Medici Bank had its financial services and banking division (based mainly in Florence), manufacturing division (based in northern Italy producing a wide variety of cloth) and its trading/wholesaling division (with branches in various parts of the Middle east and Europe), as written by Raymond de Roover (1948). Specialisation also applied to Cistercian monasteries and granges where local or regional market needs determined their product policies.

With respect to more recent times, during the early 20th century product policy (as well as all the other marketing mix elements) came to the fore. TN Carver (1917) discussed product standardisation and highlighted its benefits in terms of better efficiency, quality and reliability. At the time scientific management methods were perhaps viewed by some as a cure all to business ills. Charles Brunning (1911) and Daniel Hanson (1915) also emphasised the 'long view' in relation to product policy and innovation by firms and their impact on branding and trade marks. The importance of innovation for any business has become even more evident in present day marketing and requires no further emphasis in this thesis.

As for the '**price**' element, medieval Europe was highly corporalist and prices were determined either by the local government or fixed on the spot by guilds of associations of merchants. Apparently local authorities and the guilds of merchants were not distinguishable in many towns and cities. Price fixing was viewed by contemporary economic theory as resulting in ruinous competition and as such should have been avoided. However, pricing policies were very much discussed and considered particularly in foreign markets. The Medici Bank had established its own market intelligence system gathering information in particular in relation to prices in overseas markets. The tabulation of such data in Florence contributed to the emergence of the Italian *practicas* or merchants' handbooks from 1300 onwards. Amongst the contents of practices was information on foreign prices. (See for reference Francesco di Balduccio Pegolotti's (circa1340) practica della mercura). The 14th century English writer on agricultural management, Walter of Henley also emphasised the importance of familiarity with local prices (Oschinsky, 1971).

As far as **'place'** is concerned, considering the low level of transportation infrastructure, distribution was a major marketing problem for businesses in the middle Ages and remained so until the earlier part of the 20th Century. The Medici Bank handled its own distribution as it owned its own wholesaling and its own ships, while other firms sub-contracted. The problems faced by the medieval firms in connection with distribution were not dissimilar to those of the early 20th century companies. The solutions applied were also similar.

Promotion was perhaps the least developed of the marketing mix elements prior to the development of mass production, printing and higher literacy rates. Written promotion tended to be costly and with little impact. However, B2B marketing benefited from its sales people and personal selling as well as 'crying' of products had some impact. Branding emerged as an important vehicle for promotion even as early as the medieval times (Witzel, 2000). Amongst the notable brands were the Medici Bank, the Society of the Bardi (a financial institution based in Florence), the bank of St George (Geonoa) and the Steelyard (the Hanseatic League's office in London). As well as individual brands, collectivities of producers established successful brands, e.g. the cloth manufacturers of Flanders who specialised in fabrics of a certain weave, weight and/ or colour known as cloth of Arras, cloth of Douai and so on. Other examples are: Bordeaux and Malmsey producing wine, Cordoba offering leather goods, Telemark and Dalarna focusing on steel and weapons. Products from outside Europe received a similar treatment, e.g. 'china' became a prototype global brand as it referred to a range of goods of oriental origin that included silk, tea and porcelain by the 17th Century. Charles Babbage (1835) viewed trademarks as indicators of quality and an image as perceived by the customer.

Branding was not limited to Europe. China had developed branding as early as the Song dynasty in the 10th century as a means of recognition (by customers) and indication of quality and image (Chong and Chi-

Kong, 1989). The brands covered a variety of goods and industries ranging from metal tools, pharmaceuticals, and confectionary.

Advertising, a major promotional mix element received a boost following the Industrial Revolution due to higher British (and later other European) manufacturing outputs. The surplus goods were absorbed by the growing domestic populations and the rapidly expanding overseas markets. Urwick (as cited by Witzel, 2000) saw a major role for talented marketers and salesmen in the 18th century. Advertising saw a rapid expansion from around 1700 onwards mainly due to advances in the mechanisation of printing and ease of mass production. The golden age of advertising spanning from 1700 to 1800 witnessed the growth of printed advertisements for a variety of products. Throughout the 19th century advertising maintained its powerful position. Mass production, and mass promotion were applied in that period of time, however, the sluggish distribution systems in operation could not effectively deliver goods to the customers as speedily. There was also concern that broadcast advertising (treating all customers the same) was a wasted effort. This view was held at the beginning of the 20th century when questions were raised about the application of the latest advances in science to the core problems of distribution of sale of commodities (Witzel, 2000).

Advances in science and transportation, railways, steam power, electricity, automobiles, telecommunications, flight and the computer undoubtedly revolutionised distribution and all the other elements of the marketing mix. By the 1930s manufacturers' efforts to control and make more efficient the distribution system was a move towards what the contemporary writers referred to as 'integrated marketing'. Vertical integration was then introduced with its obvious attraction to businesses. The synthesis of all the four elements of the marketing mix was also (and still is) a requirement for a firm's success in the way that not every element is treated in isolation from the rest. The growing importance of marketing was emphasised by JK Galbraith and John Black in 1935 to the American economy (and by extension to other economies around the globe). Having been established marketing was beginning to develop new concepts and refine its techniques (Witzel, 2000). Amongst the emerging concepts were segmentation, international marketing, product life cycle, physical distribution management, market research, and the neglected element of 'service'. Levitt espoused the final concept in the 1960s which has since evolved and has been known also as relationship marketing, Customer Relationship Management (CRM) and Key Account Management (KAM) to name a few. The last few decades of the 20th century and the present one have also seen the growing importance of marketing ethics and its various strands, such as green marketing.

Therefore, it can be argued then that marketing has evolved over the centuries and gone through a metamorphosis. Indeed that process is on-going and marketing is constantly being changed and re-invented as the business environment itself experiences changes. Catalysts of such changes have at times been legislative in nature, reflections of societal pressures (e.g. customer values and orientations), or others such as competition, management espousal or indeed a combination of factors. While these changes might be viewed as problematic at first, they could be capable of providing opportunities for organisations.

A number of authors have made references to the so called marketing eras stating that over the decades marketing has witnessed a transition from the production orientated era to the sales orientated era and then to the customer/market orientated era. Such transition has highlighted the importance of ensuring customers' satisfaction by finding out and anticipating their needs and wants. Two examples perhaps would illustrate the two extremes of the marketing eras. First being the much-quoted Henry Ford expression "*you can have any colour car you want as long as it is black*" and the second, a TV advertisement in Britain in the 1990s by the Ford Car Company that had the jingle *"everything we do is driven by you".*

2.3. Birth of Modern Marketing

Modern marketing, it has been suggested, was born in the period 1900-1940, more particularly during the years 1910-25 when a number of practical and theoretical approaches to that discipline came together. Several of the elements of marketing had been in existence over the centuries as discussed above, however, this relatively brief period of time saw the emergence of a coherent, more or less unified subject. It is also suggested that the majority of such development occurred in the US, while countries such as the UK were amongst the major contributors to specialist sub-disciplines, e.g. advertising. (www.thoemmes.com)

The development of marketing, its emergence as a coherent discipline, had been gradual and its appearance was partly due to the changes in commercial, social and economic conditions. Hebert Casson (1913) had viewed marketing as a matter of seeking 'better ways of doing the same old things'. A number of explanations of the phenomenon of marketing have been offered below:

1. Prior to and even during the Industrial Revolution, the demand for commodities tended to exceed supply as such goods literally sold themselves. Most communities were self sufficient, exchanged goods and the buyer and seller were familiar with each other. Morgen Witzel (2000) sees this argument as a weak one. There is an absence of economic evidence for any long terms excess of demand over supply (at least in the US) except for a number of luxury items. Furthermore, during the rapid expansion of the US population 1850-1910 in particular, apparently demand for a large number of manufactured goods exceeded supply and that Ford was unable to respond to demand for his

cars. This was remedied later, however, with the influx of competitors later. (www.theommes.com)

2. In contrast to point 1, the development of marketing was a result of reaction to overproduction since companies grew and became more efficient. Organisations began to market their commodities more actively focusing on market penetration and market expansion strategies. The existence of a large number of fruit growers in California for example, had resulted in supply outstripping demand. A co-operative was formed with the intention of uniting the farmers and seeking new markets (Witzel, 2000).
3. Improvements in the US transportation links, in particular railways, provided access to wider markets and larger number of customers. See for reference, AD Chandler's 'The Invisible Hand' (1977).
4. Rapid expansion in the size of companies in addition to the increasing physical distance between producers and consumers implied that firms were losing direct or close contact with their customers. Marketing developed as a vehicle to manage longer distribution channels.
5. Widening of range of products due to new innovations and new technology offered wider choice and aroused public demand for non-essential goods, e.g. radios and cars, at the same time.
6. The application of scientific principles to the selling and distribution of goods contributed to the emergence of marketing as a discipline. See for reference LF Urwick (1928).

The above six points offer partial but not full explanations. The first four relate to the US (apparently from where most early writers came). In Europe, large producers and markets as well as reliable transportation links and long distribution channels had been in existence for some centuries. Point 5 tends to offer greater validity, while the final point is persuasive in argument. What becomes clear perhaps is that the discipline of marketing may be viewed as new, however, its principles go far back in history, Witzel (2000).

Kotler (2000) cites Drucker as observing that an organisation's winning formula for the last decade will possibly be its undoing in the next decade. Amongst the factors that are changing the 'marketing landscape' the following have been suggested:

- *"Growth of no-profit marketing*
- *The Information Technology Boom*
- *Rapid Globalisation, inc. increased global competition*
- *The Changing World Economy*
- *The Call for More Ethics and Social Responsibility"*

(Kotler, 2000, pp23-29)

Some of the points seem almost too obvious such as the changing world economy, globalisation or the IT boom. However, it is perhaps the final point that requires further explanation. Can marketing be used as tactics or strategies to respond to the above changes, in particular in response to the last point? Mere tactical approaches may actually be counter productive can be viewed by customers as piecemeal and cosmetic. Kotler et al (2001) in reference to customers' response to regulate marketing suggest two main movements: consumerism and environmentalism. The last point suggested by Drucker would encompass both those movements. Environmentalism itself has been discussed in chapter one. Also it is possible to combine a number of the above points when considering global marketing activities. Due to the removal of global trade barriers and the resultant expansion of world trade, environmental issues will continue to have an increasing influence on global trade (Kotler, et al., 2001). Stringent environmental legislation will require companies to comply with them. Life will become more complicated for marketer and they may increase prices to cover environmental costs making the products harder to sell to an increasingly discerning and sophisticated consumer. However, Kotler et al (2001) believe that environmental issues have been imbedded in our society and there is no turning back.

2.4. Importance of Marketing

"There can be no effective corporate strategy that is not marketing orientated, that does not in the end follow this unyielding prescript: The purpose of a business is to create and keep a customer."
(Levitt, 1986, p. 19)

The above quote signifies the importance of marketing to an organisation. Levitt earlier in his 'Marketing Myopia' (1960) had argued against product centred view of the organisation and for the marketing view of the company, suggesting that businesses must be seen as customer satisfying processes. Despite changes in marketing this view has been predominant. However, such a narrow focus on the customer is also challenged as yet another marketing myopia by Lings (1999). He emphasises the contributions of relationship marketing, market orientation and internal marketing. Focus should be on all stakeholders one of which is the customer.

Although most businesses appreciate the need for marketing, there are reservations about its ability to influence top-line growth. The challenge facing marketing is to convince finance driven organisations of its importance. In the absence of large numbers of chief executives with a marketing background, such persuasion is an extremely hard task to implement (Marketing, 2 February, 2005, pp 32-34).

Kotler (1997, p. 9) sees marketing as *"a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others."*

This definition emphasises the exchange nature of marketing while stressing the creative and innovative elements within it. The Chartered Institute of Marketing refers to marketing as *"the management process for identifying, anticipating, and satisfying customer requirements profitably".* A conceptually similar definition but one that highlights competitiveness, is given by Hollensen: *"marketing is the process of identifying and satisfying customers' needs in a competitively superior* *manner in order to achieve the organisation's objectives..."* (2003, p. xiii). Higgins (2000) suggests that 'active and diligent' consumers reward the organisation that offers new opportunities to enrich their life experience. Marketing is also viewed as a force for enlightenment (Mellahi and Wood, 2003).

Gilligan and Wilson (1998, p. 4) regard marketing as more than a functional process. They assert that "*....marketing is increasingly being conceptualised as an organisational philosophy...*". They see marketing as 'an approach to doing business' and strategic in nature as opposed to functional. They cite McDonald's definition as underpinning such an approach:

"Marketing is a management process whereby the resources of the whole organisation are utilised to satisfy the needs of selected customer groups in order to achieve the objectives of both parties. Marketing, then, is first and foremost an attitude of mind rather than a series of functional activities."

(McDonald, 1989, p. 8)

Kotler (2000, p. 25) who introduced the term societal marketing (in the 1970s) writes that it *"holds that the organisation's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers' and the society's well being".*

Despite being one of the oldest philosophies and activities, marketing is invariably treated as a new business discipline (Baker, 2003) and misinterpreted (King, 1985). For instance, four such misinterpretations are offered below:

- Thrust marketing- the emphasis is on selling by means of price cutting, with little regard to customer requirements.

- Marketing department marketing- a so called 'bolt-on' department aimed at understanding (current) customer needs of current products.

- Accountant marketing- the organisation's directorate have no direct marketing experience and the focus is on short term profits while neglecting long term survival.

- Formula marketing- control is regarded as more important than innovation. Tried and tested formulas are used while averting risks where possible.

(King, S. 1985, Journal of Marketing Management, 1(1), Summer 1-19, has marketing failed or was it never really tried?)

Notwithstanding the approaches and definitions mentioned above, marketing should have the customer at its heart, be innovative, competitive and socially responsible. Furthermore, it must be regarded as a major business philosophy and not a as a mere management function. The Marketing Society and McKinsey management consultancy have offered a manifesto for future prosperity of the industry as follows:

"The Seven Imperatives for Individual Marketers

Widen role - embrace the role of customer champion, business innovator and growth driver.
Deliver results - take ownership for profitable growth of business.
Get connected – influence and support colleagues in other functions to innovate and deliver the brand promise.
Provide insight – develop and openly share customer and market information, articulating insights and ideas.
Develop yourself- develop strategic, innovative and commercial skills and knowledge
Be creative – continue to bring big ideas and executional flair to brand activation and innovation.
Market brilliantly – from category and portfolio strategy, through consumer understanding to brand equity development. "

(Marketing 2 February 2005, pp 32-34)

The Marketing Society has also offered the Seven Imperatives for the Marketing Community in order to help it achieve the recognition that it deserves within industry considering the earlier mentioned perception of chief executives (partly the legacy of the days of high spending and low accountability). The Imperatives are as follows:

> *"Define agendas – interpret, share, and address the key issues of business leaders.*
> *Measure success – develop a coherent framework for measurement and reporting.*
> *Collaborate externally – work more closely with other professions such as HR, finance and purchasing.*
> *Take responsibility – address key issues regarding ethics, society and the environment (major themes of this thesis).*
> *Improve capabilities – provide comprehensive professional* standards and development roadmaps.

Create networks – marketing's professional bodies will work better together to support all marketers.
Champion marketing – marketing will engage employees."
(Marketing, 2 February 2005, pp 32-35)

The above and the earlier imperatives for marketing must not be simply viewed as a form of self-aggrandisement by marketers, but as an encouragement to take an active part in walking the talk and ensuring their implementation.

> *"You cannot go out claiming that you are going to save some hungry people, and make a complete mess of your accounting or take a huge pay rise as an executive, or pollute the environment".*

(Peter Bakker, head of TPG, the Dutch based logistics group that works closely with the UN)

Furthermore, the above imperatives are indicative of the changing role of marketing as well as its continuous metamorphosis. As a much criticised discipline, marketing perhaps more than other management functions (accounting being a close second, perhaps) is expected to prove that it can and will play a socially responsible role.

Since businesses are increasingly required by law or for other reasons to act ethically and in a socially responsible manner and one of the imperatives above refers to the responsibility role of marketing, the section below focuses on ethical issues of marketing. Green marketing as a branch of marketing ethics would be included in the examination of marketing's responsibility. However, firstly it is imperative to explain the relationship between ethics and marketing.

2.5. Marketing and Ethics

Do organisations' marketing practices reflect established ethical consensus or perhaps some strategies aim to alter ethical positions in society? Marketing managers face a number of conflicting pressures and interests in their daily activities and decisions. Many are forced to make compromises, the results of which may be viewed as unethical marketing. At times such dilemmas may be resolved by simply adhering to legal requirements. The problem with that approach would be that not every legal decision is necessarily ethical and vice versa. It is also possible to consult company codes of ethics to seek advice. Certain industries follow industry wide codes of practice that contain within them a section on ethics. Undoubtedly some managers decide what is in the best (financial) interests of the business and may neglect any ethical repercussions. Legal compliance aside, Ferrel and Gresham (1985) argue that there exists 'no clear consensus about ethical conduct'; also that ethical standards are neither absolute nor constant, furthermore efforts to determine whether certain marketing activities are ethical or otherwise cannot establish a definitive code of ethical marketing conduct. This is not to preclude particular unethical marketing practices such as deceptive advertising, price fixing, or intentional product obsolescence, etc. Ferrel and Gresham (1985), however, propose the development of a set of criteria for recognising which factors determine ethical or unethical decisions in marketing. Stakeholders, suppliers, marketers, competitors, customers and commentators would then decide whether the eventual marketing results are ethical or not.

Three elements capable of influencing the ethical status of either or both of a) the marketer's intentions, and b) the marketing output are proposed by Ferrel and Gresham (1985, pp 87-96) as follows:

1. Individual factors: the marketer's beliefs, values, knowledge etc influenced by societal, cultural and familial moral standards.

2. Significant others: the marketer's reference groups and the organisational climate and the extent of social distance between the two

3. Opportunity: increased opportunity for unethical marketing conduct will positively influence occurrence. Industries and organisations that promote and implement ethical codes raise standards of ethical conduct and conversely a diminution of punishment and higher rewards relating to *unethical conduct* will tend to *increase* it.

Kitson and Campbell (1996) ask: what might motivate an organisation to take an ethical stance in its marketing decisions? In reply they quote Hunt, Wood, Chonko(1989) suggesting some evidence that a stronger commitment from senior management on positive ethical policies not only is conducive to the creation of a working climate with fewer conflicts for employees, but is also capable of eliciting higher level of organisational commitment from them. Their evidence was based on a survey of 1200 professional marketers, comprising of marketing managers, marketing researchers and advertising agency managers.

The conventional marketing mix elements each offer opportunities for ethical and unethical marketing behaviour and Kitson and Campbell (1996) are amongst a number of writers who emphasise the examination of their impact on marketing decisions. Indeed there are some organisations that capitalise on ethics as unique selling propositions (USPs). However, the concept of ethics and its application varies from one company to another and from one society to another (Schlegelmilch, 1998). Cultural and national differences undoubtedly have a significant influence in such matters. What might be deemed as highly unethical in one country might be treated as a means of doing business, such as offering 'gifts' by some companies to key personnel in an overseas country.

The culture and the value system of the organisation, as well as the existing codes of conduct would provide the minimum level of ethics. Such a level too would vary amongst industries and firms alike. For instance, the Body Shop's necessary value system would not realistically compare with that of an arms manufacturer. However, this should not excuse marketers from adhering to a bedrock of ethical norms write Mellahi and Wood (2003). They further write that organisations could have benefited from palpably unethical practices. The absence of sufficient information to enable customers to make an informed (ethical) choice could contribute to these practices. See for reference the unsustainable extraction of peat (in Ireland) to satisfy persistent consumer demand in the UK, or indeed the use of tropical hardwood for furniture manufacture.

Marketing as a discipline has not had a positive reputation. However, it could be argued that its is not marketing per se that has contributed to this perception, but the individuals within organisations acting on behalf of companies. Personal ethics of managers and their value systems have surely had some impact on the overall perception of a company, an industry or perhaps an entire discipline. It is also possible that an 'ethical champion' within the management hierarchy of an organisation could ultimately change the ethical value system of not only the company but the entire industry, were those values viewed as capable of offering competitive advantage. Mellahi and Wood (2003) and Baumhart (1961), view a minimalist ethical approach as a contributory factor to the poor image of the marketer as a 'vendor of snake oil' a tout or a con man. Advertising as the most visible form of marketing has also been criticised as being pervasive, intrusive and pernicious (Laczniak and Laczniak, 1998). The critics of advertising, for instance, see the creation of 'hyper-reality' by the media where imagery almost replaces reality in the society, i.e. the gap between image and reality becomes indistinguishable. Marketing managers, Mellahi and Wood (2003) suggest, have collectively gained the power to shape the choices and lifestyles of large numbers of consumers. Such power could also be used to alter existing ethical norms or manipulate them in the organisation's interest.

However, to a large extent organisational survival and growth would be related to the manner in which its practices reflect established ethical norms in a society. Deviation from such norms, especially in an extreme fashion, would result in negative public reaction once it is publicised. Kotler (2000) refers to this as 'public action to regulate marketing'. The extensive and rapid expansion in mass communications, investigative journalism and rising consumer awareness of ethical issues would ensure some form of penalisation for the firm in question. It can be argued that this may ultimately jeopardise its survival. However, authors such as Zadek (2004) see what he terms 'civil regulation' as a fickle driver of good corporate social responsibility. Despite some consumer actions against unethical companies, e.g. Barclays Bank dealings with the Apartheid regime in the 1970-80s, Shell and its operations in Nigeria in the early to mid 1990s, to name a couple, the investment community as a whole does not view such matters as a serious threat or opportunity, at least to date.

The sheer force of consumers' stated concerns does not appear to be sufficient to drive companies to more ethical practices (Zadek, 2004).

Organisations are increasingly told to be seen and acting in a socially responsible and ethical manner. Indeed some such as the Co-operative Bank have gone beyond mere compliance with established ethical norms and used ethics as a major selling point that has provided them with a competitive edge. How far should an organisation go in terms of being ethical? After all it is responsible to all its stakeholders, including its shareholders (a view not shared by Milton Friedman as explained below). Convincing the shareholders of investment in ethics is not always an easy task. A number of authors such as Friedman have questioned organisational social responsibility which will be discussed below.

2.6. Milton Friedman on Business Management

The 'Chicago School' is a well known American 'school' of economics which loosely has adhered to the Neoclassical price theory and free market libertarianism in much of its methodology and policy work. In more recent years the School has been associated with 'economic imperialism', i.e. the application of economic logic to fields traditionally regarded as the prerogative of other disciplines such as political science, legal theory, history and sociology. The 1960s witnessed the reshaping of the School, mainly by George J Stigler and Milton Friedman and the emergence of the 'Second School'. Both men maintained a position strictly against market failures and reinforced the

School's stance against imperfect competition and Keynesian economics.

The School's influential publications, notably the Journal of Political Economy and the Journal of Law and Economics were instrumental in publicising its programmes and in particular the modern version of Manchester School liberalism. Stigler nurtured the Neoclassical paradigm and in the absence of solutions to a problem, the recommended remedy was to extend to aforementioned paradigm by incorporating new concepts enabling the subject matter amenable to economic analysis. Some notable examples are search theory, human capital theory and property rights/transaction cost theory. In addition, sociological issues such as addiction, family and marriage were not excluded from a thoroughly economic interpretation by the Second School (see for example, Becker and Mincer).
(http://cepa.newschool.edu/het/schools/chicago.htm)

Milton Friedman's reputation in macroeconomics has been largely related to his leadership and advocacy of Monetarism at the Chicago Second School. Monetarism, however, has now been replaced by the more mathematically rigorous 'New Classical' economics of Lucas and others. This did not mean that Friedman's influence diminished in the 1970s and 1980s. Friedman (1970) referred to debates on social responsibilities of business as being "*notable for their analytical looseness and lack of rigour*" (as cited in Chryssides and Kaler, 1999, p.

249). He further wrote that claims by businesses that an organisation is not merely concerned with making profits but also promoting desirable 'social' ends and having a 'social conscience' and for instance, avoiding pollution, is preaching 'pure unadulterated socialism'. He did not see corporations having social responsibilities, rather the executives that run them may have such obligations.

These would include responsibilities to employers and to conduct business according to their wishes, i.e. *"make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom"* (as cited in Chryssides and Kaler, 1999, p. 249). Friedman further questioned what might be meant by the corporate executive's social responsibility. If the executive were to refrain from a price increase in order to help prevent inflation, this decision would not really be in the business interest. Furthermore, should the executive authorise expenditure to reduce pollution beyond the amount that is in the best interests of the organisation or that is a legal requirement in order to save the environment? Friedman stated that in each of the above decisions the executive would be spending someone else's money. He viewed the 'cloak of social responsibility' as an anathema to a free society.

This view has been challenged over the years. Tepper-Marlin the President of the Council on Economic Priorities said:

"Milton Friedman, the prime advocate of the position that the responsibility of business is exclusively to maximise profit for shareholders, has lost the debate." (CBI 1999, p.2)

This quote suggests that although shareholder profit maximisation is important, neglecting the responsibility of the firm to other stakeholders cannot be in the long term interest of the company.

Zadek (2004) believes the opposite could be true. *"The 'profits with principles' argument underlying the traditional corporate social responsibility proposition is more a sophisticated restatement than a refutation of Friedman's position* (p. 75). After all Friedman stated that organisations should comply with the law as well as the norms and expectations of the societies in which they operate. This perspective offers the win-win proposition stating that by addressing new social norms enshrined in corporate social responsibility and ethical behaviour, businesses can maximise their long term financial performance (Zadek, 2004). Such a proposition can be provocative as well as evocative. Korten (1995), for instance, argues that 'real ethics' costs real money, suggesting a trade off between profits and (ethical) principles. Korten further sees the win-win proposition as a muddle by well-intentioned individuals. At worst it could act as a well-orchestrated deception concealing the underlying growth of corporate power. The notion that there need b no trade off between financial gains and social responsibility is viewed as nonsensical by Zadek (2004) who could cite a large number businesses that happen to be immensely profitable and which cannot be in any shape or form regarded as ethical.

Advocates of corporate social responsibility such as Godyer (1998) argue that such companies will not survive in the long run. He suggests that tomorrow's successful organisations will necessarily be those that are 'inclusive' in their treatment of stakeholders. There is clearly a lack of a simple link between financial and ethical (encompassing social and environmental) performance. Two well established ethical companies, Ben and Jerry's and the Body Shop had recently shown a weak financial performance. Being ethical is not always a guarantee of financial success over any reasonable period of time in the same way that being less than ethical does not lead to financial catastrophe. An organisation at least in theory, could be green and not necessarily ethical- but not unethical. At the same time a company can act ethically while not be green- but not harm the environment. A more analytical examination of financial and non-financial business drivers underlying ethical behaviour is required (Zadek, 2004). (Chapter four will focus on these themes).

2.7. Legal Compliance or Ethical Conviction?

> *"At first, many companies opposed consumerism and environmentalism. They thought the criticisms were either unfair or unimportant. But by now, most companies have grown to accept the new consumer rights, at least in principle. They might oppose certain pieces of legislation as inappropriate ways to solve specific consumer problems, but they recognise the consumer's right to information and protection. Many of these companies have responded positively to consumerism and environmentalism in order to serve consumer needs better."*
>
> Kotler (2000, p 563)

How does one differentiate between green policies put forward by an organisation as a legal necessity from those that are offered on the basis of the firm's ethical conviction? Firms are almost daily faced with a challenge of integrating their ethical and green considerations into their marketing and production policies. For profit maximising organisations seeking short term financial benefits there is always an incentive to overlook their ethical and environmental responsibilities, whenever they possibly can.

It is possible for organisations to comply with legislation and behave ethically while not involving themselves in wider environmental and social concerns. However, both are increasingly viewed as imperative elements of responsible business. The harm created by organisational malpractice can be both immediate and enduring.

Organisations have a number of responsibilities to their stakeholders (Carroll, 1991, p 42) and these can be illustrated below:

As the above diagram indicates businesses have a wider variety of responsibilities that are of importance to different stakeholder groups. This means that as well as being legal and profitable a business is also required to be socially and environmentally concerned. Large numbers of organisations integrate ethics and environmental responsibility into their strategic planning through ethical compliance programmes or integrity initiatives that make legal compliance, ethics and social responsibility a company wide effort (Ferrell, et al. 1999). Codes of (ethical) conduct could be produced on the basis of the afore-mentioned compliance programmes. The American Marketing Association Code of Ethics is one that is widely adopted and used in the US. Ferrell and Gresham (1985) write that ethical standards are neither absolute nor constant (but not for Kantians) and that efforts to decide whether certain marketing activities are ethical or otherwise cannot provide a definitive code of ethical marketing behaviour. The diagram below explains the various dimensions of marketing activities.

	Legal Low	**Legal** High
Ethical Low	A	B
Ethical High	C	D

Quadrant 'A' represents activities that in ethical terms organisations should be less attracted to even though in terms of profit making they may be crucial. Quadrant 'D' is the optimum position with regards to both legality and ethics. Companies such as the Body Shop and the Co-operative Bank would be in this category. There are organisations that operate in quadrant 'B' (such as fast food operators) where they are in a high legal position and low ethical situation, since their products are not necessarily nutritious and can lead to obesity, etc. Companies operating in quadrant 'C' would be taking risks since despite the high ethicality of their marketing activities, there may be legal problems. Activities of certain pressure groups although high on the ethical scale may prove even illegal. Earlier in the chapter Zadek (2004) and others' reference to a trade off between ethics and profit was discussed. The diagram below (Smith and Quelch 1996, p 8) illustrates such trade offs:

Profits

Ethics	Low	High
High	Tough Choice?	To have your cake and eat it
Low	Foolish	Risky and wrong

> *"One of the most powerful arguments for including ethics and social responsibility in the strategic market planning process is the increasing evidence of a link between social responsibility, ethics, and marketing performance" (Ferrell, et al, 1999, p. 169).*

It has been suggested by a number of authors that good ethics means good business. Heightened consumer awareness of ethical and environmental issues implies that some look for socially responsible alternatives and as such social responsibility and ethical behaviour can provide companies with a competitive edge that would ultimately be translated into higher sales and increased profit levels. However, consumers are not always aware or informed whether an organisation's ethical and green policies are the result of mere compliance with legislation or indeed a management espoused ethical stance. This can create confusion and undermine the genuine, committed green and ethical organisations' efforts who may be operating in the same market as the minimalist legal compliers who in turn may employ 'green-wash'. Despite consumer concern about unethical and environmentally harmful behaviour as mentioned above, levels of suspicion have also risen vis-à-vis businesses' green and ethical credentials and claims. This suspicion can also make the true green and ethical companies' marketing efforts considerably difficult. The consumer has to be contacted in the first instance and then be convinced of the true nature of a company's ethical and green policies. Even well established ethical and green organisations are not exempt from such suspicion and cynicism. Indeed they tend to be more frequently monitored than others who make no green or ethical claims. Kotler (2000) when introducing the concept of 'enlightened marketing' asserts that an organisation's marketing *"should support the best long-run performance of the marketing system" (p 563).*

He further states that enlightened marketing encompasses five principles namely: consumer orientated marketing, innovative marketing, value marketing, sense- of- mission marketing and societal marketing. Organisations that are capable and willing to apply 'enlightened marketing' to their operations, activities and behaviour can reap the financial benefits that Ferrell et al (1999) referred to earlier.

Conclusion

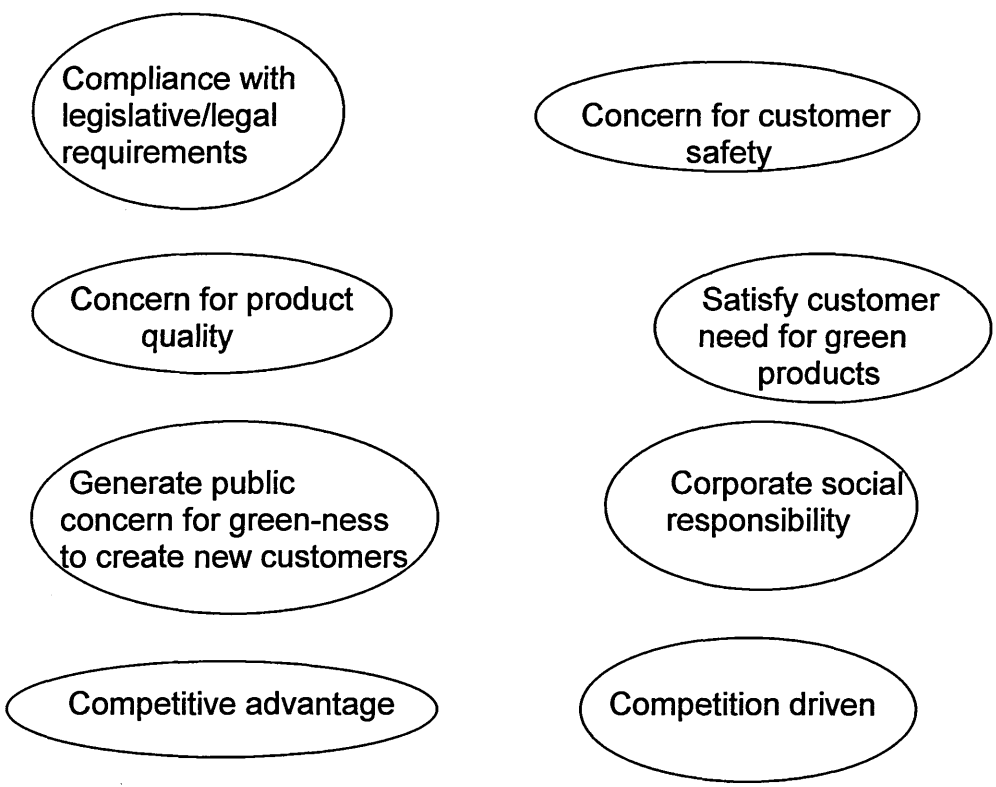
This chapter has studied the development and evolution of marketing over the centuries and its transformation from being production orientated to sales focused to consumer/market orientated. It was asserted that such evolution is a continuous process and major players and catalysts are at work dictating the direction that marketing should take. In addition, a number of definitions and approaches to marketing were examined. A brief mention was made of the chief executives' perception of marketing and how that negative view could be altered by means of considering a number of imperative offered by The Marketing Society. Furthermore, the relationship between marketing and ethics along with relevant strategies involved were discussed. The various perspectives on ethics and corporate social responsibility were then examined including those of Friedman. Matrices comparing legality with ethicality as well as profit and ethics were analysed and examples wherever possible were cited to explain each matrix. Heightened consumer awareness of ethical and environmental matters was discussed and reference was made to the increasing cynicism of consumers relating to ethical and/or green organisational offerings. Finally, the distinction between green policies that emerges as a result of legal compliance with those initiated by the business on an ethical conviction has been established. Throughout the chapter a number of marketing authors viewpoints were discussed and evaluated vis-à-vis ethical and green issues. What is it that encourages or indeed drives an organisation towards a green marketing path? Is it always financial inducements, is it legislation, a combination of factors or are there other catalysts at work? The next chapter will examine the drivers of green policies in business and will analyse the impact of each individual driver.

Chapter Three

The Drivers of Green Policies in Business

Introduction

The review of the literature carried out thus far in the earlier chapters, the findings of the primary research relating to this thesis as well as anecdotal evidence suggested that organisations pursue green policies due to a major 'driver' or a combination of them. It can be argued that some elements are not drivers per se but are subsumed in other categories. For instance, corporate social responsibility as a broader concept could cover concern for customer safety and so forth. These drivers tend to be invariably inter-related. A model explaining the inter-relationship of these drivers is illustrated below:



3.1. Model of inter-related drivers of green policies in business

In any business environment there are always various influencing factors present that shape management decision making. Invariably business decisions are made based on information available e.g. from marketing intelligence sources, environmental analyses or merely reliant on senior management say so. It is suggested that for green marketing policies a number of drivers are in place that either shape such decisions or influence them in varying levels of significance. Their significance also varies from firm to a firm and from industry to industry. Their linkages too can also depend on the above- mentioned factors. For example, chemical companies would be more influenced by legislation and legal requirements than, say, manufacturers of furniture. Furthermore, there would be a direct link between the legal/legislative driver and concern for customer safety and corporate social responsibility. However, amongst these drivers one or two would act as primary determinants of green policies while others may be as secondary or even tertiary influencers. On a global scale issues such as the role played by culture would also be of significance as a green marketing driver. Cultural variations are undoubtedly major influencers in relation to international marketing in general and green marketing in particular. The West's 'throw away' culture has been invariably criticised by the developing countries.

The inter-relatedness of the drivers listed above can be explained in the way that the implementation of one driver could ultimately lead to compliance with another. For instance, obeying legislative and legal requirements might lead to the creation of a safer product for the customer which could also contribute to the organisation's corporate social responsibility. However, it must be pointed out that mere and minimalistic compliance with legislation does not realistically motivate a company to generate concern for green-ness to create new customers. At the same time, increased customer demand for green goods has created a market for such products perhaps partly due to firms' attempts at educating consumers vis-à-vis the benefits of going green. Some companies have taken advantage of such green opportunities and eco-preneurs have emerged. A minority of organisations in response to their convictions have produced green products. Such policies have not only considered customer safety but also gone beyond the basic legal requirements, at times creating a more superior product. By so doing they may have also achieved a competitive edge.

The drivers outlined above as mentioned earlier vary in terms of importance, impact and degree of influence on organisations. A company such as Yorkshire Water that participated in this research is legally bound to be green, however, it publicises its green and sustainable activities to gain a competitive edge that would also help its efforts in corporate social responsibility terms. The animal friendly goods offered by Boots the Chemist are perhaps driven more by competition from a company such as the Body Shop and in response to its own customers' demand green/ethical goods.

3.2. Necessity of conforming to legislative and legal requirements

Central (and local) governments partly in response to customer pressure, and/or reaction to pressure group demands, as well as adherence to party political policies, and in compliance with EU and global legal requirements, create environmental statutes. Organisations are, therefore, legally required to comply with an increasing array of rules and regulations. Such compliance tends to be either the major or one of the main drivers of green business policies in the UK. Some firms meet the minimum legal requirements while other go beyond and by so doing either respond to company social responsibility or gain competitive advantage by highlighting their green efforts. In short, the organisational compliance could range from being simply reactive and minimal to holistic greening of the organisation. Certain industries due to their nature tend to be more regulated than others, e.g. the chemicals industry and perhaps in the near future fast food outlets too. However, despite the unpopularity of any form of legislation, "*unregulated markets are, by their nature, morally deficient, indeed, marketing is one part of environmental degradation, rather than part of the solution* (Crane, 2000).

3.2.1. Local, National and International Environmental Initiatives

Below the various local, national, EU driven and international environmental initiatives will be examined.

3.2.1.1. Local- Local governments can play a part in promoting environmentalism, developing the concept of sustainable development at a local level and providing their own Local Agenda 21 initiative. Young (1998) and Ward (1993) refer to the sudden and considerable growth of interest in environmental issues and the application of sustainable development by local authorities in the period between the publication of the Brundtland Report in 1987 and the Rio Earth Summit in 1992. This period also coincides with the Friends of the Earth's Environmental Charter the launch of Environmental Cities Programme, and the appointment of the first Environmental Co-ordinators.

At the time of Rio a small but significant number of pioneering authorities had carried out a great deal of work on how to apply the themes inherent in sustainable development within their areas. However, this was mainly at an enthusiastic, exploring stage. Little real evaluation was attempted. The DOE had some role to play in this environmental initiative. It was partly in response to the 15% Green Party vote in the 1989 European elections, the EU directives, and so on. Britain was referred to as 'the Dirty Man of Europe'. In comparison with most of its European counterparts, it started from a baseline lower than theirs did. Britain did not, however, make any serious attempts to catch up with the rest, as pointed out:

> *" How the 1990s revisions to the building regulations on energy conservation and other issues brought Britain up to where Sweden had been in the 1930s!"*
>
> (Rydin, 1995, p 134)

It is noteworthy that Non-Governmental Organisations (NGOs) such as WWF and Friends of the Earth had been instrumental in encouraging local authorities to participate actively in sustainable development and apply it at the local level in the late 1980s and early 1990s. Their media campaigns and lobbying played a crucial part in awareness creation of environmental issues. The previous (Tory and Labour) governments had tried to marginalise local authorities and their autonomy and independence. However, vis-à-vis central government and local authority co-operation, the governmental departments and agencies take time to discuss policy options as they may affect local councils and then take some tentative steps to develop programmes and allocate supportive funding.

The Energy Savings Trust that aimed to promote energy efficiency suffered from lack of resources. It was not until 1995 that the Home Energy Conservation Act was passed. Local authorities are, as a result of this Act, required to submit energy conservation report to central government whereby cost effective ways of dealing with the problems in residential accommodation are identified (DOE 1996 paras 83-4 and

87). In 1993 local authorities were required by the central government, to prepare waste disposal plans. Targets were set, for instance, to recycle or compost a quarter of all household waste by the year 2000. Unfortunately, only £66.4 million of local authority borrowing was approved during the period 1991-66 for investment in composting and recycling (DOE, 1996, paras 83-4 and 87). It was not until September 1996 that the new landfill tax became operational. The central government's main excuse was shortage of funds.

Issues such as urban congestion, shortage of investment in public transport, repeatedly crop up in Local Agenda 21 (AKA LA 21) participation programmes. However, in the absence of a coherent central government strategy, local authorities are almost powerless at tackling such problems in a serious manner. The future, should the present trend continue, does not look at all optimistic. As such one should avoid Panglossianism.

Recycling of household waste is aimed to treble by 2010. This task has been referred to the local authorities. There is no financial incentive to encourage action, nor are there any penalties for failure to achieve targets. That clearly indicates where the environment is within the present Labour government.

3.2.1.1.1. IMPACT OF LA 21

It might be premature to try and gauge the impact of LA 21 (Local Agenda) participation programme on the LA 21 document itself, and the influence of the document on the revision of a local authority's statutory plan and restructuring of its budgets in ways that reflect the principles of sustainable development. (For further details please see appendix LA 21).

Local authorities had apparently overlooked the participation of ordinary citizens to some extent. Proposals for a new landfill site or a reservoir in a neighbourhood may not be viewed favourably by the residents (Walesh, 1995). However, their involvement via citizens' juries or similar vehicles, may result in the appreciation of the technical details behind proposals and perhaps the drawing of different conclusions. Water planning in the US uses such an approach. Similarly, work is being carried out in waste management in the UK. The active involvement only a small proportion of local authorities in preparing LA 21s comes as no surprise. Few have thus far been completed. It is debatable whether the LA21 in place are genuine action plans (which include time frames and targets) or as Young refers to them (1998, p 200) *"much vaguer visioning documents".* Indeed, some view LA 21 as a distraction.

Stockport Council would argue, for instance, that it could achieve more by greening programmes and sustainable development across the range of its operations. Some also pass off what they have been engaged in outside LA 21 and prior to Rio, as LA 21 activity. A prime example is that of Southampton's promotion of community based partnerships and the use of Community Action Forums. To many local authorities such an activity seems rather a novel one.

3.2.1.2. National - Amongst some of the earliest steps taken by the central government concerning the environment was the establishment of the first pollution control authority in 1863. With respect to pollution control, for instance:

> *"Changes in strategies for government intervention....have been changed as a result of sudden catastrophes, when years of state failure have accumulated pollutants to the level where the balance of the environment has tipped"* (Anderson, 1994, p. 17).

Some may view the national government's initiatives as mainly reactive, rather than proactive. As far as recycling is concerned, for instance, the 12% rate in Britain for 2000-2001 did not compare favourably with nations such as Switzerland with 52%, Germany with 50% or Austria with 46% (Brown and Hencke, 2002). There are indeed nations in Europe such as the Scandinavian countries that have a stringent sense of environmental protection that encourage organisations with their greening policies.

In order to change existing consumption behaviour and waste producing life style, an instrument such as fiscal policy may prove popular. A shift away from levying taxes on income and saving to such items as carbon emissions, car ownership and usage as well as land filling should be considered. Such initiatives require a lengthy period of time before any real signs of improvement can be detected. However, restructuring fiscal policies to achieve environmental objectives could ultimately lead to an environmentally sustainable economy. The environmentally concerned, however, will not be satisfied by such meagre measures. In the UK over the 1996-7 period taxes on land filling were used to shift revenue from work and investment to environmental damage by 0.2 (this figure is expressed relative to tax revenue raised by all levels (Brown, et al., 1998). Such measures are not sufficiently radical and substantial to make a large- scale impact.

In the UK, standards such as BS 7750, the international standards ISO 14001 and the EU eco-Management and Audit Scheme (EMAS)- which according to Schlegelmilch (1998) is the toughest international environmental standard available- help organisations to assess the environmental impact of their processes (Charlesworth, 1988). Indeed ISO 14001 was formally launched in Britain in October 1996 and has followed in the foot- steps of its precursor BS 7750 set by the British Standards Institute. The aim of the standard was to assist organisations (regardless of their size), with ways and means of controlling the impact of their operations and products on the environment. Interviews with organisations for this research work indicated that not all use ISO 14001, however, the majority already practises its requirements.

According to Welford (1995), there is little evidence of a "*radical paradigm shift either in the eco-management and auditing or the BS7750 standards*" (p 77). He also stresses that the prerequisite to a responsible approach to tackling environmental problems is new and radical approaches to doing business. Unfortunately, BS7750 in its present form is seen merely as *" a new pawn in a non price competition strategy"* (Welford, 1995 p77). A new set of environmental standards must be established, capable of making major impacts that are global and mandatory in nature is required. Currently compliance with the ISO 14000 series is on a voluntary basis only. As a result, many companies do not participate. At the same time, some comply with its requirements without formally acknowledging the fact.

An effective Environmental Management System (EMS) is defined by the standard as one that possesses the following elements and specific requirements:

"1. Assessing the problem

2. Establishing goals

3. Measuring progress

4. Training staff

5. Auditing performance

6. Rewarding or penalising behaviour

7. Verifying through third party review".

(Charlesworth 1988, as cited in Professional Manager, July 1998, p.p. 16-17)

Unfortunately, ISO 14001 is not an absolute standard possessing definable figures, nor is it mandatory. It is an indication of a company's aspirations and commitment to environmental management. The acquisition of ISO 9000 certification by an organisation will mean that the company has acquired most of the management systems for an EMS.

Returning to the theme of the central government and environmentalism, and considering some basic statistics, the importance of an efficient, reliable and effective transport policy becomes even more apparent. The average UK citizen travelled about 5 miles a day in 1950. That figure now is around 28 miles a day, estimated to double by 2025. The society is undoubtedly becoming a hyper-mobile, resulting in increased pollution, heavier traffic on already congested roads.

3.2.1.2.1. The Environment Agency

The Environment Agency in the UK is a non-departmental public body established by the Environment Act 1995 and is sponsored by the Department of the Environment with policy links to the Welsh Office and the Ministry of Agriculture, Fisheries and Food. It has replaced the National Rivers Authority, HM Inspectorate of Pollution, Waste Regulatory Authorities and parts of the Department of the Environment. The Agency has the responsibility for enforcing some of the environmental standards in England and Wales as set in European and

UK legislation (http://www.environment-agency.gov.uk).

The government has also introduced the Green Claims Code in an attempt to improve the standard of environmental claims on UK products (made by organisations). The code is endorsed by the Confederation of British Industry, the British Retail Consortium and the Local Authority co-ordinating Body on Food and Trading Standards. The intention is to ensure consumers are protected against false or misleading claims (Green Claims Code, Department of the Environment, Transport and Regions, 1998)

However, according to a report by the Royal Commission on the Environment, entitled 'Energy – the Changing Climate', the UK government's current target for reducing 1990's CO2 levels by 20% by 2010 albeit welcome, does not go far enough. The Commission would require cuts of 60% by 2050 and 80% by 2100. A survey by the Environment Agency in 2002 revealed that 90% of householders would recycle more waste if it were easier, however, for many there were few facilities, and for certain items such as plastic, no opportunity to do so at all (Brown and Hencke, 2002). The onus is, therefore, on the central and local governments to encourage initiatives that could reduce environmental degradation. The situation in December 2004 indicated that in terms of CO2 emissions reduction, while the government's Kyoto imposed limits seem satisfactory, it falls short of its own target. With respect to renewable energy, the UK is committed to producing 10% of its power from renewable sources by 2010. almost a year later, in November 2005, figures from the Department of Environment, Food and Rural Affairs indicate that the UK greenhouse emissions are below 12.6% below the 1990 levels. Under the Kyoto protocol Britain is required to reduce them by 12.5% by 2012. However, the recent increase in emissions caused partially by electricity generators switching to coal due to the rising gas prices could indicate that the UK would be unable to meet its Kyoto obligation should the current trends continue. Lord May, president of the Royal Society (of Science?) stated that:

> *"What we need is courage from our political leaders, both from within and outside government, to take the actions necessary to reduce our emissions. Nobody can say that global warming played no part in the unusual ferocity of hurricanes Katrina, Rita and Wilma. The estimated damage caused by hurricane Katrina alone was equivalent to 1.7% of the US GDP (Gross Domestic Product). This is an insight into the economic cost to the developed world".*
> (The Guardian, 10th November, 2005, p 6)

With reference to renewable power, most of this will be provided by wind farms, while solar power and biomass generators will also contribute. In 2003, renewable energy use grew by approximately 10%. This, however, still accounts for only 3% of the total generated power. Critics say that the government is way off meeting its target and should make green power generation economically viable. As for recycling, the government target is 25% of household waste by 2005/6. The year 2004 saw approximately 17% of household waste being recycled. Friends of the Earth agrees that although the government is meeting its recycling target the UK is still way behind its international neighbours (Radford, 2004, the Guardian 9 Dec p.4).

3.2.1.3. European Union - The EU plays a major influencing part in the legislative framework of its member states. This process commenced in 1973 when the first EU Environmental Action Programme was agreed (Charlesworth, 1988). The founder members of the then EEC did not see any necessity to include environment in the Treaty of Rome in 1957. Article 2 of the EEC refers to the promotion of 'continuous and balanced expansion'. The Paris summit in 1972 decided to establish an environmental policy sector following increased awareness of environmental problems by the general public (Williams, 1997). Prior to the introduction of the environmental legislation of recent decades, the UK, Germany, France, Denmark and the Netherlands had extensive air quality and planning controls in place, which were largely effective especially in relation to industrial emissions (Ledgerwood et al., 1994).

However, in the light of the enormous motorway building programmes and the construction of other types of infrastructure in the 1980s' Europe, which coincided with public awareness and alarm of environmental problems, the adoption of an environmental agenda in politics was crucial. Economic growth had its resultant social impact. Concepts such as 'triple bottom line' (Gilligan, 2000) which would combine financial, environmental and social issues and the notion of sustainable development would have been particularly effective in reducing the environmental impact.

The Green parties of northern European countries played a major part in establishing new political priorities on a national scale. Political leaders of various shades have adopted green policies as their own. The Single European Act of 1987 in preparation for the Single European Market (SEM) in 1992, while recognising the legal inefficiency of the Treaty of Rome in dealing with environmental issues stated that the Treaty contained explicit legal basis for EU environmental legislation. By this time well over 100 environmental measures had been enacted (Wurzel, 1993).

By the early 1990s, environmental policy despite its initial slow start had become an influential and rapidly expanding policy sector within the EU. By the time the Single market was created the importance of EU-wide collective environmental standards became more apparent. Harmonisation within member states would have to include environmental protection measures, since the application of varying standards within the EU, distortions could result whereby either pollution havens could be created, or polluters would be charged differently (Williams, 1986).

The Treaty of European Union agreed in December 1991 to further enhance the scope for intervention in environmental matters. The Environment Title of the Treaty refers to general objectives to which the EU environment policy must contribute. The objectives are as follows:

1. *" Reserving, protecting and improving the quality of the environment;*
2. *Protecting human health;*
3. *Prudent and rational utilisation of natural resources;*
4. *Promoting measures at international level to deal with regional or world-wide environmental problems"*

(Williams as quoted in Bansal and Howard, 1997, p. 129).

The Treaty of European Union reinforces the procedures for decision making vis-à-vis environmental legislation established by the Single European Act of 1987. Three major alterations to EU level environmental policy making are introduced namely:

i) Introduction of Qualified Majority Voting (QVM);

ii) A stronger role for the European Parliament; and

iii) Creation of the Cohesion Fund.

The first change is aimed at easing the adoption of new environmental measures. The obstacle here is the retention of unanimity or national votes in certain, significant environmental sectors concerning pollution control. The second change is noteworthy since a stronger role for the European Parliament is crucial to promoting environmental policies. This has provided the Parliament with a reputation as being the most environmentally concerned of all EU institutions (Barnes, 1995). However, 'concern' and 'action' are not synonymous and practical rather than theoretical measures. The third change refers to the creation of Cohesion Fund, regarded as very significant vis-à-vis environmental and infrastructure enhancement programmes. Its main objective was to achieve greater economic and social cohesion within the EU.

Assisting poorer members to prepare for meeting eligibility criteria for economic and monetary union achieves such an aim. This assistance can be in the form of promotion of economic development by means of financial support for environmental, infrastructural and transpiration projects. The Fund applies only to those members whose per capita income is below 90% of the EU average. Since the creation of the Fund, 1994, Greece, Ireland, Portugal and Spain have been eligible for assistance. Undoubtedly some of the newer members of the EU would also qualify.

Since 1995 with the accession of Austria, Finland and Sweden, there has been an increasing emphasis on EU environmental policy development. In many respects Sweden and Finland possess the highest environmental standards amongst the old 15 member states. The two countries have made it clear that they have no intention of seeing the erosion of their nationally set environmental protection standards by the adoption of common EU standards.

The European Environment Agency established in Copenhagen in 1994 can only assist with measures aimed at improving the natural environment. As an EU institution it is also keen to co-operate with non-member nations. It is hoped that the Agency will not only work with national governments but also with the numerous international bodies concerned with protecting the environment such as the OECD, the International Energy Agency and the UN Environmental Programme. Its current activities include provision of technical and scientific support to EU member states in the field of protection and implementation of environmental policy. The agency monitors and reports on the state of the environment in Europe. One such outcome was in the shape of the publication of a comprehensive report and audit, i.e. the Dobris Assessment, in 1995. The OECD conference in Oslo in 1987 is seen as one the most important influencing events relating to environmental discussion (Bansal and Howard 1997).

This conference introduced and defined the concept of sustainable development in relation to the developed world and stressed the urgency of dealing with environmental problems such as the ozone layer depletion, climate change and the diminution of bio-diversity as highlighted by Brundtland (1987). In the light of this recommendation, the 1991 Inter-governmental Conference (IGC) on political union decided to accept the argument that Article 2 of the Treaty should replace continuous expansion with sustainable development. However, a separate Intergovernmental Conference on monetary union, wished to amend the same article with sustainable non-inflationary growth (Haigh, 1996).

The final version includes elements of both formulations: *"balanced development of economic activities....sustainable and non-inflationary growth respecting the environment"* as quoted from EC Council (1992, p. 11). This is a contradiction in terms in some people's views (see for example, Gilligan, 2000 and 'the triple bottom line'). The conflict between economic growth and protection of the environment seems to continue within the EU, as well as perhaps countries such as the US.

The principles of EU environment policy can be summarised as follows:

"1. Polluter pays;

2. Prevention is better than cure;

3. Action should take place at the appropriate level of government."
(Bansal and Howard, 1997, p. 133).

The first principle is regarded as acceptable by the majority of member states, for those who use it the installation of mitigating technology has taken place in most cases through tax credits. However, this policy lacks practicality. A prime example is the former German Democratic Republic (GDR) where the polluter which in this case happens to be the state, no longer exists. The second principle although an aspiration since 1973 (Basnal and Howard, 1997) tended to finance initiatives aimed at remedial action against existing pollution. Article 130r(2) of the Treaty makes the adoption of this principle explicit. The logic of prevention and precaution led the Commission and in turn the environment directorate to focus attention on the land use planning process the prerequisite for which is the authorisation of development taking place at an appropriate decision making process (O'Riordan and Cameron, 1994). Having considered the EU legislation and rules the following section examines international laws.

3.2.1.3.1. SCOPE OF E.U. ENVIRONMENTAL LEGISLATION

The past few years have seen the emergence of environmental directives in the excess of 300 from Brussels and London. Such legislation on environmental issues consists of two parts:

a) Regulation - this is applicable to all Member States.

b) Directive - *"binding as to the results to be achieved but leaves Member States the choice of form and method. This is used in environmental matters"* (Ledgerwood, et al. 1994 Appendix B).

The existence of 300 plus directives may be viewed by cynics as a paper exercise. The EU environmental legislation covers the following major areas:

1. Water
2. Waste
3. Air
4. Chemicals

5. Wildlife and countryside

6. Noise.

(For further details please see Appendix I)

Amongst the EU initiatives has been the CAP (Common Agricultural Policy) cutting price support to reduce over production. Although modern farming methods have resulted in increased production over the last 50 years or so, the price has been extremely high in environmental terms. The existence of wine lakes, and butter mountains and so forth would seem as an anathema to the EU environmental policies. Increased production entails higher use of scarce resources such as land, water and power especially when the ultimate output is not fully utilised. Or when farmers may be paid to discard of products such as fruit to maintain artificially high EU prices.

The EU is still regarded by some as *"having the most comprehensive legislative policy on the environment (but) has recently shifted gears"* (Lozada and Mintu-Wimsatt, 1996, p. 70). The EU adopted the European Commission's 5th Environmental Action Programme in December 1992. This programme tends to concentrate less on legislation and more on economic development. This move underpins the need to redefine the relationship between humans, organisations and the natural environment as well as to interpret their implications (Hull, 1994). Central to the 5th programme is the philosophy of sustainable development putting forward performance goals for sustainability rather than legal requirements. Thus the 5th Action Programme seeks to enact the European Commission's goal of working voluntarily with industry in order to reach waste management targets.

The 5th Programme:

"1. Focuses on the agents and activities that deplete natural resources and damage the environment, rather than waiting for the problems to emerge;

2. Aims to initiate changes in behaviour through partnership and shared responsibility involving all the relevant sectors of society, public administration, public or private enterprise, and the general public; and

3. Broadens the range of instruments applied to any particular problem, that is, moving beyond legislation to market-based instruments, financial support mechanisms, and information, education, and training" (cf., Hull, 1994).

Although the sentiments are admirable it remains to see their practicality in terms of consumer benefits.

3.2.1.4. Global – this section considers the influence of global organisations and bodies on environmental matters. Various Earth Summits as well as the role played by the United Nations (UN) will be discussed. Buchholz (1993) cited four global environmental issues that were worth investigating, namely global warming, ozone depletion, deforestation and species decimation. In addition to those, more topical issues such as sustainable development have gained increased prominence.

The UK is a member of a number of international bodies such as the

EU, the UN, the Commonwealth, the World Trade Organisation (WTO), and the G7/G8 group of major industrialised nations. Rules and regulations formulated by any of those bodies could affect the UK companies that deal with overseas clients who would then have to comply with the host nation's specific environmental legislation. The globalisation of eco-audit standards where in particular ISO 14000 series apply can be part of this process. In the US the 'Green Audit' covers a similar initiative. Below the Forest Stewardship Council's role is explained as an example:

In response *"to growing public awareness of forest destruction and degradation"* the Forest Stewardship Council (FSC) has been established that promotes *"environmentally responsible, socially beneficial and economically viable management of the world's forests, by establishing a world-wide standard of recognised and respected Principles of Forest Stewardship"* (http://www.fsc-uk.demon.co.uk/Principles Criteriaq.htm#1). This international body provides organisations with certificates of authenticity. It is hoped that the FSC's Principles and Criteria that apply to all tropical, temperate and boreal forests, are used in conjunction with national and international legislation and regulations. The FSC's intention is one of complementing, rather than supplanting initiatives encouraging responsible management of forests on a global scale.

The educational activities provided by FSC aim to raise public awareness of the importance of the following:

- Forest management improvement
- Incorporation of full costs of management and production into the price of forest products
- Promotion of the highest and best utilisation of forest resources
- Avoidance of over consumption and over harvesting.

3.2.1.4.1.PRINCIPLES OF INTERNATIONAL ENVIRONMENTAL LAW

Principles of International Environmental Law, as reflected in the Rio Declaration encompasses the above and has more as follows:

- Polluter Pays Principle
- Principle of Prevention
- Principle of Good Neighbourliness and International Co-operation
- Precautionary Principle
- Principle of Good Governance, including Participatory Democracy
- Principle of Common but Differentiated Responsibility
- Principle of Sovereignty over Natural resources and the Responsibility not to cause Environmental Damage.

Although in theory the above may seem plausible there may be problems in their application. The application of No.5 above, for instance, to any third world nation would seem futile.

Western European nations' initial response to the environmental agenda has been muted due to a variety of reasons:

1. European planning law, especially in the North West, had already imposed an environmental assessment.

2. Organisational and governmental agencies had established means of controlling chemical and toxic waste as part of compliance with existing requirements for occupational health laws, the high density of population and the social welfare culture.

3. Environmental issues, until recent years, have been overshadowed by the problems of regaining economic growth.

The above reasons must not be used as an excuse for the absence of effective action nor as an apology for lack of effectiveness.

3.2.1.4.2. THE ROLE OF THE UNITED NATIONS

The UN through its various initiatives has played a constructive role in environmental protection and management. Amongst its most notable efforts are the Earth Summits. Below is a chronology of the UN environmental initiatives:

- 1972 UN Conference on Human Environment (Stockholm)- UN EP Environmental Programme established. This conference focused on environmental issues, in particular those concerned with environmental degradation and 'trans-boundary pollution' highlighting the fact that pollution does not respect national boundaries.

- 1983 World Commission on Environment and Development – Brundtland Commission set up (has been discussed earlier).

- 1989 Brundtland Report "Our Common Future", framed most of the 40 chapters of Agenda 21 and the 27 principles of the Rio Declaration on Environment and Development .

- 1992 UN Conference on Environment and Development – the Rio 'Earth Summit'. UN commission on Sustainable Development (CSD) established. Held on the 20th anniversary of the first Earth Summit and was attended by policy makers, scientists, media and NGO representatives from 179 countries. The aim was to reconcile the impact of human socio-economic activities on the environment. Agenda 21 was created as a result (a comprehensive action plan to be applied globally, nationally and locally) to address human impact on the environment. The Rio Declaration on Environment and Development (defining the rights and responsibilities of States) was also established as a set of principles. Consequently, three key documents were adopted by the participants: Agenda 21, the Rio Declaration on Environment and Development and the Forest Principles (guidelines for sustainable management of forests worldwide).

Overall, the Rio Summit's outcomes are:

Agenda 21;

The Rio Declaration;

The Forestry Principles;

The Climate Convention;

The Biodiversity Convention;

The Desertification Convention;

The UN Commission on Sustainable Development (CSD);

The CSD NGO/Major Groups Steering Committee to interface with the UN in the work of the CSD;

The Conference on Small Island Developing States;

The Conference on Straddling and Highly Migratory Fish Stocks;

The Inter-Governmental Panel on Forests;

Over 2000 Local Agenda 21s around the world;

Over 120 National Sustainable Development Councils;

Over 120 National Sustainable Development Strategies;

The development of sustainable development indicators at the local and national level; and

Enhanced involvement of stakeholders in the UN, national and local decision making process."

- 1993-1997 UN CSD first five year programme
- 1997 Kyoto Summit (AKA Rio +5) reiterated the urgency of intergovernmental panel's assessment of their commitments to

environmental protection. The resultant agreement sets more binding constraints to reduce emissions of a wider range of six greenhouse gases below 5% of the 1990's level by the period 2008-2010. The effectiveness of such measures and also whether they have been shared out equitably amongst nations have been questioned. The developing countries are assisted with their conversion programmes to cleaner technology but have no emission quotas due to the cost.

- 1998-2001 CSD second five year programme. Overarching theme: poverty eradication, sustainable production and consumption.

- 2001 CSD 10 Global Preparatory Committee 1- organisational issues, defining modalities of process; also national, sub-regional and regional preparatory meetings.

- 2002 Global Prep Comm.2, 3 and 4.

- 2002 World Summit on Sustainable development – (Rio Earth summit +10), Johannesburg, 26th August- 6th September.

The UK government in partnership with the UN has worked on sustainable development since the Rio Summit of 1992. This has been in the shape of UNED-UK (United Nations Environment and Development). At its November 1997 conference 'After Earth Summit II - A Crossroads for Sustainable Development?', the future of sustainable development and related issues were discussed. Particular attention was paid to progress at local, national, European and international levels.

As a result of the world's scientists meeting dealing with climate change, negotiations of the Intergovernmental Panel on Climate Change Convention was completed in 1992 and was signed by heads of states at the Rio Summit. This was seen as a major achievement by the parties concerned as well as a lost opportunity to go further. The aim of the convention was then to encourage annex 1 countries (i.e. the former Soviet countries and the developed countries) to return their CO2 emissions back to their 1990 levels by the year 2000. Even though at the time some participants considered this a modest objective, in retrospect many of those countries will fail to meet the objective before the deadline. (Connections, Feb-Apr 1998).

The United States as the most vociferous participant of the Earth Summits, has in the past blamed the less developed countries for their emissions and other environmentally unsound activities and refused to ratify the Kyoto Summit terms. President Bush wished to 'put the American economy first'. He further stated that Kyoto is unfair and ineffective to the US since it does not include China and India in the quota obligations (Black, 2001). Governments as well as organisations face increasing pressure from consumer groups in the developed countries and the US can be no exception. The experience of the past few years shows that ratification does not guarantee effective implementation. To further complicate matters, "*methods of measuring and validating emission figures, establishing basis for gauging the impact of sinks, creating a basis for trading emission credits, joint implementation, and devising sanctions for non compliance is left for further elaboration*" (*Black,* 2001, p. 16). There are also problems associated with the type of technology needed to effectively implement environmental measures. Countries such as Russia and the Ukraine were not deemed to offer adequate commitments (however, in 2004 Russia ratified the Kyoto agreement). Furthermore, the less developed countries cannot always be persuaded to commit themselves to implementing these measures.

3.2.1.4.3. Agenda 21

Agenda 21 has emerged as an attempt to balance the responsibilities of the North and the South, and integrate the environment and development. Governmental representatives in conjunction with a wide ranging non-governmental organisations (NGOs) negotiated Agenda 21. Between 1990 and 1992 four preparatory meetings took place. In August 1990 the first Preparatory Committee (PrepCom) was held and determined the Platform of action (Agenda 21) dealing mainly with atmosphere, land resources, biotechnology, biodiversity, oceans, seas, coastal regions, fresh water and hazardous and toxic waste.

The second PrepCom in March 1991 tackled legal institutional issues while opening the possibility of forming a forest convention. The result was the Forest Principles, and the Earth Charter becoming the Rio Declaration on Environment and Development. The third PrepCom in August 1991 meant Agenda 21 started to take shape. By the end of the final PrepCom in April 1992, approximately 90 percent of it had been agreed upon.

The Fourth Summit Preparatory Committee (PREPCOM 4) was held June 2002 in order to prepare for the Johannesburg Summit of August 2002. "The meeting drew up on the agreed text from the previous PrepCom to prepare a concise and focused document aimed to:

- Emphasise the need for a global partnership to achieve the objectives of sustainable development

- Reconfirm the need for an integrated and strategically focused approach to the implementation of Agenda 21, and

- Address the main challenges and opportunities faced by the international community in this regard".
(http://www.johanesburgsummit.org/html/documents/prepcom4.html)

The Rio Summit was the venue to discuss other areas such as finance, technological transfer, climate, institutional issues, biodiversity, fisheries and biotechnology, poverty and consumption. Agenda 21 contains 40 chapters covering issues related to the planet and human interaction with it. The document contains intentional overlaps, repetitions and elaboration in order to reinforce certain issues. It aims to set parameters within which environmental issues of today are addressed and those of tomorrow are identified. It is not a legally binding document and is to be treated as a blueprint for sustainable development offering solution to problems facing all nations.

Agenda 21 is the result of negotiations amongst 178 nations and 50,000 NGO representatives that attended the Rio Summit making it a very comprehensive document underpinned by interaction between social, economic and environmental trends. One major setback was that no new money was pledged to implement the programme. The estimated cost of implementation was put at \$625 billion per annum, \$125 billion of which would be contributed by the developed countries in the shape of increased aid to the South). The overall aid to the South given at the Rio was approximately \$60 billion, reduced by \$5 billion in 1996. The 4 billion ECU pledged by the EU never materialised.

In addition to existing funding, further financial support was to be given to the Global Environmental Facility. NGOs seriously question this since they state that finance provided to other sources has decreased as a consequence (Lindner, 1997). The Commission on Sustainable Development (CSD) to meet on an annual basis aims to ensure the implementation of Agenda 21 on local, national, regional and international levels. Due to the importance attached to education, the Commission wishes to see the establishment of Education 21 that will deal with all the approaches to education for sustainable development.

To achieve this goal the education community is to be created. The community is far broader than the school teaching profession but will include teachers, lecturers, curriculum developers, administrators, support staff, industrial trainers, countryside rangers, and interpretative staff, environmental health and planning officers, education officers with NGOs, community educators, youth leaders, parent association members, media personnel, and many more. The Commission sees its roles as follows:

- To review progress at all international, regional and national levels in the implementation of Agenda 21 as stated above, and the Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, conservation and Sustainable Development of All Types of Forests (AKA Forest Principles)

- To elaborate policy guidance and options for the future activities to follow up UNCED and achieve sustainable development

- To promote dialogue and build partnerships for sustainable development with governments, the international community and the major groups identified in Agenda 21 as key actors outside the central government who have a major role to play in the transition towards sustainable development including women, youth, indigenous peoples, NGOs, etc. (http://www.un.org/esa/sustdev/csdback.htm)

Unfortunately, friction and rivalry between the CSD and some of the United Nation's bodies such as the UNEP (UN Environment Programme) and UNDP (UN Development Programme) have been noted, partly due to the blurring of roles.

> *"All the available evidence shows that, in spite of the major accords forged at Rio, the world's environment is declining at an alarming rate. Since Rio, species extinction has accelerated: 30% of the world's mammals are now at risk of total extinction and forest areas the size of Wales are being lost every month."*
> (Coward, 2002)

The above quote is a warning and a reminder that action is required to implement environmental protection strategies and mere words will not suffice. However, there appears to be some cynicism about the actual achievement of such international jamborees and the ability of the UN to deliver as well as its commitment to protect the environment. Some hold the view that environmental protection may not be taken as seriously as, for instance, world poverty. The Rio summit was attended by leaders such as George Bush the senior and Margaret Thatcher signifying the importance of the environment as a global issue. The 2002 World Summit in Johannesburg did not attract similar figures and the US refused to ratify the treaty. Although by now issues such as climate change have been accepted by '*all except the most ideologically* *blinkered. Many now accept the alarming concept of environmental scarcity'* (Coward, 2002, p 13). At the same time, the growth and spread of globalisation and the ensuing political pressure for trade liberalisation, has meant that the world has followed a World Trade Organisation (WTO) path.

There has been an emphasis on trade between nations. While prima facie this may seem a plausible move, the focus is on economic gains, while perhaps neglecting environmental and social regulations which may act as obstacles to free trade. The United States' withdrawal from the Kytoto Protocol agreements is a case in point. The Johannesburg Summit was an opportunity to reiterate the importance of environmental protection on a global scale.

> *"Organisations like the WTO and the World Bank are currently more powerful, but the Earth Summit is the only process we have for affecting that balance of power in favour of environmental and social concerns .Johannesburg represents the best opportunity we have to assess what has changed since Rio and to focus the world's attention on just how critical the issue of the environment is".*
> (Coward 2002, p 13)

3.3. Concern for Customer safety

Following the highly publicised health related disasters and mishaps of the recent past such as the 'foot and mouth disease', CJD cases, and public concern for genetically modified (GM) foods, Sudan 1 additive and the more recent avian 'flu, consumer concern for product safety has been on the increase. It is suggested that a growing number of consumers are willing to pay a premium for organic foods since they perceive them to be healthier, tastier and safer (Ginsberg and Bloom, 2004). Very few organisations might take the risk of offering unsafe products despite the apparent appeal of short- term financial gains. The adverse publicity that would ensue could cost the organisation a great deal more in terms of tarnished corporate image. At the same time, paying extra attention to customer safety albeit at a premium (to customers) might lead the firm to a green path. The supermarket chain Iceland was a pioneer of non-GM foods marketing in the late 1990s in the aftermath of public concern. Needless to say a green product that is not totally safe to use will be neither legal nor socially responsible to produce.

3.4. Concern for Product Quality

> *"Hopes for green products have also been hurt by the perception that such products are of lower quality or don't really deliver on their environmental promises."*
> (Ginsberg and Bloom, 2004)

Although the above quote does not reflect the overall view of green products, it does, however, point to a dilemma that green marketers encounter. Changing consumer perception requires time, dedication and commitment by green marketers. Understandably, products that are inferior in quality will have a very limited lifecycle in the green market. Indeed, a number of detergents and washing up liquids have suffered from this in the past and perhaps lessons have been learned by producers. For instance, Green and Black's marketing strategy has always put product quality before ethical and green considerations. Furthermore, that company's founder believed that there would never be a viable long-term market in solely targeting green consumers (Marketing, 16 February p 18). Green product quality can be partially achieved by obtaining the endorsement of environmental auditing bodies (e.g. the Soil Association), or various environmental pressure groups and NGOs.

Companies also use the ISO series (14000 in particular) to publicise their green and environmental credentials. It must be pointed out that such compliance is not mandatory and is used on a voluntary basis. Some industries follow their own industry specific quality requirements and standards. Ottman (2004) has repeatedly stated that a product that relies solely on its green credentials will not always succeed as customers wish to see quality and other attributes as well as green-ness amongst them.

Companies that offer a good quality product that is reasonably priced, is easily obtainable and is also green could achieve gaining competitive edge.

> *"While much brand switching is conducted in the name of altruism, what attracts many consumers to greener products is quite simply the prospect of higher quality: water saving showerheads that slash energy bills, concentrated laundry detergents that are easier to carry and store, and non-toxic garden products that are safer for children. Expect these*

enhanced primary benefits – of performance, convenience, price and safety, for example- that accompany environmental improvements to continue to propel the market for environmentally preferable products in the years and decades ahead".

http://greenmarketing.com/Green_Marketing_Book/Chapter01.html

3.5. Satisfy Customer Needs for Green products

"The purpose of a business is to create and keep a customer".

(Levitt, 1986, p. 19)

In order to achieve Levitt's advice, vis-à-vis green consumers, due to their varying degrees of green-ness (as discussed in chapter 2), a form of green segmentation can be employed by companies. One such segmentation is offered by Roper(2000) and explained below:

True Blue Greens – possess strong environmental values and actively seek to effect positive change. They are four times more likely to boycott products of organisations not environmentally conscious.

Greenback Greens – unlike the segment above, these are not politically active, but are more willing than the average consumer (sic) to purchase environmentally friendly goods.

Sprouts- believe in environmentalism in theory but not in practice, seldom buy a green product if priced at a premium, however, keep an open mind and can be persuaded to go either way.

Grousers- uneducated about environmental issues and cynical about their ability to effect change. They believe that green products are over-priced and inferior in performance.

Basic Browns- too caught up with day-to-day concerns and do not care about social and environmental issues.
(as cited in Ginsberg and Bloom, 2004)

The first three segments either voluntarily or by a certain amount of encouragement, convincing or education, can be supplied with green products.

As mentioned earlier some eco-preneurs have already taken advantage of offering green products to the so-called green consumers. No business can be sustained while neglecting the importance of customer satisfaction, as stated by Levitt. Chapter three of this thesis evaluated a number of definitions of and approaches to marketing. A common denominator was the identification and satisfaction of customer needs. The oft-cited Body Shop and the Co-operative Bank are prime examples of organisations that have operated in a customer orientated and progressive manner offering ethical products and services. It is due to customer demand, for instance, that supermarkets in the UK are allocating larger shelf areas to organic products. During an interview carried out by the researcher with a drum recycling company, for example, it was revealed that in addition to the organisational impetus to act responsibly the consumers were the actual catalysts. Furthermore, they increasingly demanded more care for the environment and society at large. There is a major educational role for organisations in informing their customers of the benefits of going green that could ultimately lead to financial gains for companies. Marketing in addition to its traditional roles of anticipating and identifying of customer needs and their satisfaction, can attempt to create new wants and needs. This can only be achieved by contacting <u>and</u> convincing customers. Based on the company nature this could be in the form of B2B and/or B2C.

3.6. Generate Public Concern for Green-ness in Order to Create New Customers

This is an area where the 'promotion' P of the marketing mix elements could be employed to:

- Raise awareness of the merits of environmentalism
- Highlight the benefits of green products and services
- Promote the 'green' lifestyle

As a modern day replacement for the traditional 4Ps of the marketing mix, a 4Cs combination has been offered by a number of authors. The product P becomes Choice, Place becomes Convenience, while Promotion is replaced by Communication and Price is referred to as the Cost (not only to the consumer in monetary terms but also in its impact on the environment and so forth). Firms need to communicate with customers to inform them of the green choices available and the cost of alternatives especially in environmental terms.

As mentioned earlier, certain disasters in the recent past have brought to prominence the benefits of green products and environmentalism per se. There still remains a considerable amount of public suspicion of companies' green claims and the occasional accusations of 'green-washing' (Crane, 2000).

However, committed green companies that offer realistic green products that are marketed in a holistically green manner, i.e. employing green supply chain management, can still benefit from their green activities. Indeed Rao and Holt (2005) assert that green supply chain management promotes efficiency and synergy among business partners and their parent companies and contributes to environmental performance, waste reduction, and cost savings. They further argue that such synergy is capable of enhancing corporate image, competitive advantage, and marketing exposure. They also suggest that the concept of green supply management encompasses environmental initiatives in:

*"inbound logistics;
production or the internal supply chain;
outbound logistics; and in some cases
reverse logistics, including an involving materials suppliers, service contractors, vendors, distributors and end users working together to reduce or eliminate adverse environmental impacts of their activities."*
(Rao and Holt, 2005, pp898-899)

However, Bowen et al. (2001) warn that firms will adopt green supply chain management policies if they identify resultant specific financial and operational benefits.

3.7. Corporate Social Responsibility (CSR)

"The language of responsibility has spread so rapidly in business that it is now turning up in some surprising places. In the UK, envelopes pop in through the letterbox stamped with the Royal Mail's website and the exhortation: 'Read our CSR report'... Trust and responsibility have become valued additions to the CEO lexicon. Some talk of responsibility as a moral obligation ".
(Financial Times, 29th November, 2004)

The above quote reiterates the impact of corporate social responsibility on businesses and the way that it has become popular when communicating with the various organisational stakeholders. Perhaps only a handful of companies were willingly publicising their social and environmental programmes a decade or so ago for fear of attracting closer scrutiny and examination of their policies and possible accusations of "hypocrisy". Today companies realise that they cannot afford not to articulate their social responsibility programmes even though this may increase their vulnerability to attacks from campaign groups (Maitland, 2004).

The question that may arise here is: why do organisations bother with corporate social responsibility? Some pundits see it through an ethical perspective. Mervyn Davies the CE of Standard Chartered Bank with operations in over 50 developing countries believes that the pursuit of profit is not sufficient and that companies need principles too. Furthermore, company employees in Davies's opinion wish to see those principles implemented.

Others justify the application of CSR by organisations on business grounds. Michael Fairey, deputy CE of Lloyds TSB believes that "*the business case revolves around the creation of employee motivation, customer satisfaction and brand loyalty.*" http://find.galegroup.com

A number of studies have examined any possible link between responsible business and financial returns. Those that have established a correlation tend to outnumber those that have not found a link or a negative correlation as suggested by Risk, Returns and Responsibility, a report by the Association of British Insurers that reviews the evidence (FT Report, Responsible Business, 29th November, 2004).

The main dilemma is that determining cause and effect is no easy task, in particular when there is a lack of consensus as to what corporate social responsibility entails. Environmental programmes that, for instance, reduce energy use can result in financial benefits. Environmental leaders amongst companies achieve higher financial returns as suggested in a report by Innovest Strategic Value Advisers for the Environment Agency (for reference please see FT Report – Responsible Business 29th November 2004). That said, gauging of non-tangibles such as employee morale or brand loyalty and linking them directly to improved financial returns based on company CSR is more difficult. However, Maitland (2004) writes that chief executives seem convinced by anecdotal evidence that employees care about their organisation's reputation.

Employee perception will undoubtedly be reflected in the manner in which they deal with customers which in turn can influence brand image and loyalty. Three quarters of the British public state that they would believe an employee's word about an organisation's corporate social responsibility record over that of a corporate brochure, or advertisement (MORI as cited in the Financial Times, 29th November, 2004).

This is also reflected in the manner in which an organisation's future employees perceive it. Robert Davies the CE of the International Business Leaders Forum (IBLF) which has been promoting corporate social responsibility asserts that:

> *"CEOs are telling us over and over again that when they are talking to groups of new graduates, this is an area (labour rights, human rights, environmental standards, and ethical investment) on which they are always questioned."*
> http://find.galegroup.com

Organisations that have adopted CSR, may benefit from staff retention, improved customer retention, and avoiding PR disasters, however, they still have "*relentless focus on the bottom line and shareholder value. Unless there is a clear and direct commercial benefit it is difficult to see CSR practices being adopted deeply and universally as, structurally and ideologically, the businesses have not changed".*
http://www.authenticbusiness.com

The Managerial ethics, good or bad, influences the ethos of the organisation and assists in forming the ethical choices and decisions of its employees. Management helps to set the tone, develop the corporate vision and shape the behaviour of those involved in an organisation's activities and operations.

> *"Business and politics serve as the metronome for our society, and the meter and behaviour established by leaders set the patterns and establish the models for our behaviour as individuals and as a group. Although the terms 'business ethics' and 'moral leadership' are technically distinguishable, in fact, they are inseparable in the life of every organisation"* (Gini, 1996, p.3).

As mentioned in an earlier chapter Friedman (1962), saw social responsibility in its strict Adam Smith sense, i.e. exploitation of economic opportunities for the purpose of profit maximisation for shareholders, as explained in earlier chapters. McGuire (1963) went beyond economic and legal obligations of an organisation and believed that certain responsibilities to society also exist extending beyond the law. However, viewing markets and the law as a sole basis for legitimacy can be rather simplistic (Sethi, 1975) since laws lag behind social norms and react slowly to social concerns. Organisational responsibilities and duties go beyond laws which tend to define minimum standards (Bansall and Howard, 1997).

> *"Until a couple of years ago the idea of pursuing anything other than maximum financial returns would have been preposterous, except for the small band of ethical investors in specialist retail funds. The new pensions' regulation, which has already spread beyond pensions to other institutions, changes all that by bringing social responsibility into the mainstream".*
>
> (Cowe, 2000)

The approach ascribed by a number of authors such as Tombari, Post and Davis (as reviewed by Carroll, 1989) to the socially responsible organisation – anticipatory, proactive, adaptive, open, accountable and commitment to a clear purpose and values - are similar to those seen as important by Morgan (1986 as cited in Cowe. p 56) as preconditions for organisational survival, by Schumacher (1974). This is when he considers the need for organisations to transform to a more human-scale of operation and by Peters and Waterman in connection with their study of excellence in American organisations. Gilligan (2000, p. 12) asserts that "*the active management of environmental and social performance is increasingly being recognised as an important driver in achieving long term success".* He further writes that it is no longer just economic factors that should be considered but that environmental and social issues must also be taken into consideration.

3.7.1. A Critique of CSR

In her article, 'The Myth of CSR: the problem with assuming that companies can do well while also doing good is that markets do not really work that way', Doane (2005, p 24) warns advocates of CSR:

> *"The unprecedented growth of CSR may lead some to feel a sense of optimism about the power of market mechanisms to deliver social and environmental change. But markets often fail, especially when it comes to delivering public goods: therefore, we have to be concerned that CSR activities are subject to the same limitations of markets that prompted the movement in the first place".*

Doane further writes that CSR tends to simplify fairly complicated arguments and that it fails to highlight the fact that eventually trade-offs must be made between the financial well-being of the organisation and socially responsible outcomes. Market failures will ultimately damage CSR strategies. These failures may include imperfect information, externalities and free riders. Doane (2005) also warns of the existence of a 'wide chasm' between what is good for a firm and what is good for the society at large. She lists four myths of CSR as reasons for this:

Myth No.1. The market can deliver both short- term financial returns and long- term social benefits. Doane sees little if any empirical evidence to suggest that markets behave in such a manner. Despite the existence of pockets of successful firms, no mainstream paradigm shift has been noted. Doane (2005) refers to the case of possible litigation against Wal-

Mart's poor labour relations while it is being rewarded by investors for cost reductions and driving down prices.

Myth No.2. The ethical consumer will drive change. A proactive albeit small ethical market is in existence and no-one doubts that. However, for the majority of consumers, Doane believes, 'ethics is a relative thing'. She further asserts that most surveys highlight factors such as price, taste, or sell by date, as far as consumers are concerned. She relates to a UK survey (the Co-op bank, 2000) where 83% of consumers intended to act ethically, while 18% acted ethically occasionally and less than 5% of consumers showed consistent ethical and green buying behaviours.

Myth No.3. There will be a competitive 'race to the top' over ethics amongst businesses. Doane believes that the creation and proliferation of ethical and environmental awards might create the impression that an increasing number of firms are competing over CSR issues. However, she writes that companies are eager to be aligned with ethical schemes in order to capitalise on their PR benefits. She cites the discovery by the US based Corporate Watch organisation of several cases of 'green-washing' by firms. She further sees such schemes to reward the ethical corporate behaviour and promoting the 'race to the top' concept as rewarding the 'best of the baddies'. As an example Doane cites British American Tobacco's winning of a UNEP/Sustainability reporting award for its annual social report in 2004.

Myth No.4. In the global economy, countries will compete to have the best ethical practices. Market liberalisation is presumed to result in better protection of environmental and human rights in such economies. Organisations often overlook voluntary behaviour standards in developing countries, arguing that they comply with the law of the land. Competitive pressure in developing countries is actually resulting in the watering down of such laws in order to attract foreign investment. Sri Lankan garment manufacturers, as a result of competition from neighbouring Chinese textiles producers, have been lobbying their government to increase working hours (Doane, 2005).

Notwithstanding the critique above, the ethical conviction of entrepreneurs, or perhaps more appropriately termed, ecopreneurs, is another driver of green business policies. As highlighted above organisations cannot be expected to survive and prosper without due care and attention to their social responsibilities. These would encompass appropriate considerations of various stakeholder requirements as well as caring for the environment. As pointed out earlier some firms go beyond mere compliance with rules and regulations and attention to their basic social responsibilities. When the ethical conviction emanates from the top, i.e. the board level, it can have a higher degree of success. However, its success would depend on the way these policies have been 'sold' to the employees. With their 'ownership' of such policies that would require their participation and consultation, the organisation could have a better chance of success. The opposite could also be true.

In spite of developing new standards, forming partnerships and the creation of awards systems and programmes to attract the attention of business to social and ethical issues, the overall landscape has not really altered noticeably, writes Doane (2005). Good behaviour has occasionally led to secondary adverse impacts such as the recent sale of apples by McDonald's as part of their healthy eating programme that has led to a reduction in biodiversity in apple production. This has been the result of that corporation's insistence on uniformity and longevity in the apple that it may purchase. Perhaps the introduction and imposition of appropriate environmental and social legislation would obviate the need for CSR.

3.8. The Role of Competition

A further pressure on business leaders emerges when an organisation's stance on how it manages its business is not matched by its rivals. It is conceivable that competitors may perceive a positive advantage in cutting corners to assist the company win business and custom. Furthermore, it can be argued that a variety of changes in markets have eroded a number of the traditional bases for competition. Green strategies might provide companies with an opportunity to regain a lost competitive advantage. Ethically and environmentally committed business leaders are aware of the fact that performing business tasks ethically may incur short term costs for the company. However, the genuine ethical business leaders are capable and willing to explain their choices to their management teams, shareholders and even customers with whom they may decline to do business.

The application of green policies can contribute to the creation of a competitive edge by some companies. Furthermore, the competitors' successful environmental strategies might force an organisation to pursue similar strategies. This driver has been subsumed under the earlier customer choice category to some extent.

According to a government publication many organisations, as far back as the mid- 1990s *"have voluntarily adopted environmental management practices, recognising that improving environmental performance can also increase competitiveness"* (Sustainable Development, 1994, p. 11). The government's role in this case is to shift emphasis from regulation to economic instruments wherever feasible and to present the environmental information for businesses.

3M and its innovative 3P (Pollution Prevention Pays) can be cited as an example of a proactive organisation that through its environmental protection policy has not only complied with regulations and consumer demand, but has also gained a competitive position. The environmental culture that now permeates 3M is beginning to pay off in offering new products that address consumers' environmental concerns, while preempting competition and legislation. Amongst examples are: Safest Stripper paint and varnish remover, the first water based paint stripper that effectively eliminates the risks associated with ethylene chloride (a suspected carcinogen); and environmentally improved versions of existing products such as Scotchguard fabric protector with no CFCs and limited trichloroethylene and Post-it note pads using recycled paper. (http://www.greenmarket.com./FORUM/CORNER/case 3M.html).

Within 3M an inter-organisational co-operation in research, production and marketing exists that is underpinned by four core values as follows:

- Provide an attractive return for investors through sustained, quality growth
- Satisfy customers with superior quality, value and service;
- Respect its social and physical environment;
- Be a company employees are proud to be part of.

The company further states that its corporate social responsibility and sustainable development (economic, social and environmental issues) is explicitly linked to its values and that it employs the right people AKA '3Mers'. Its staff share the organisation's ethical standards and belief in transparency, honesty and integrity. Within economic sustainability there are business policies to achieve optimal production efficiency and the resultant cost reductions. The company's business processes monitor life cycle management of products enabling it to identify new products and market opportunities in addition to reducing impacts on the environment and the society at large. The 3P approach established 30 years ago underpins 3M's environmental sustainability. The organisation acknowledges the fact that since 2002 sustainability has gained even further prominence within the company. This partly due to the fact that mere compliance with targets does not result in attainment of strict operational targets set. Furthermore, its customers have informed 3M of the importance of environmentally responsible products to the end users. These combination of the above factors and the requirement to reduce risks have led to 3M's life cycle management and an increase in its market share. This is another example of the creation of a competitive edge by a multi-national through employing green marketing.

(Article 13 and CBI- CSR case Studies Series, September 2005)

A further example is Anheuser-Busch Inc. that has developed an aluminium can 33% lighter than previous ones. Such reduction in the use of aluminium combined with an overall recycling scheme, saves the organisation $200 million annually (Ginsbery and Bloom, 2004). Jobber (2004) cites StoraEnso as a company that has gained competitive advantage partly by adopting an ethical code. The code is designed and formulated by the senior management team of the firm and is based on the UN declaration of Human Rights, the UN Global Impact and the core International Labor (ILO) conventions The intention was to ensure that the entire organisation shared a common frame of ethical conduct as well as marketing the company to stakeholders. The company has secured a place on the FTSE4Good global index for socially responsible investors as well as on the Dow Jones Sustainability Index. Jobber concludes by writing:

> *"....StoraEnso has made a big effort in bringing ethical issues to the forefront of the competition in its industry. The process of the code's implementation has not finished and one might consider it probable that some changes to the code may come into being as the process of implementation of its strategy evolves".*
> (Jobber, 2004, p 708)

A study carried out by ICF Kaiser, a major US engineering consultancy as quoted in Professional Manager (July 1998) reported that organisations' environmental management initiatives were reflected positively in terms of perceived investor riskiness and its cost of equity capital and value in the market place. This complemented the direct environmental and cost reduction benefits accruing that companies might gain. In terms of shareholder value, the study estimated it to be in the region of 5%. This notion is supported by the chief executive of the banking firm Coutts, stating that:

> *"Over the longer term, environmental management pays dividends not just in profits but in terms of a company's image and relations with the community" (p. 13).*

Competitive pressure is not the only catalyst for companies to go green. However, gaining a competitive edge can be the motive for a company that might ultimately lead to competitive pressure on other companies in the same market or industry to follow suit. Major corporate figures such as the CEO of 3M and the ex- CEO of Dow have endorsed environmental management (by companies). They have stressed the importance of good environmental and social performance to a company's public and market reputation and its reflection on staff morale and confidence, both essential ingredients of success in the present day business environment. James (1998) suggested that companies may pursue:

1. Defensive measures such as waste minimisation initiatives and capital investment screening to ensure new products and investments are environmentally harmless; and

2. Creative measures where every individual environmental problem is seen as one in need of solutions, more effective processes and innovative products seeking to protect the environment.

Overall, competition can not only lead an organisation to a green path, but if highly successful, it can ultimately make it a 'rule maker'. The challengers to the organisation and the rest of the players would then become 'rule takers' following the market leader in a variety of directions that may also include green marketing. It is possible for a 'rule taker' to excel in its marketing efforts or challenge the dominant company in the industry. By being innovative and as a pioneer a 'rule taker' may become a 'rule breaker' which if successful, can also be the new 'rule maker'. This would provide the company with an invaluable degree of competitive advantage, higher earnings, and an enhanced corporate image. For an organisation to gain a competitive edge in green marketing the possession or acquisition of appropriate technology would prove crucial. The following section will examine the role played by technology for this purpose.

3.9. The Role of Technology

> *"The iPod, arguably the hottest product on the market today, makes a poignant ecologically correct statement: Why struggle to light-weight a jewel box further when an iPod can access and store 1,000 CDs worth of music with no packaging-indeed no CD at all?"*
> www.greenatworkmag.com

This section explores the role of technology in enabling organisations to pursue green policies and strategies. It examines technology from different angles and perspectives. It further cites examples of companies that have employed technology to assist them implement their green strategies.

It is difficult to identify an industry that has not been influenced by technological progress in some way over the last decade or so. Indications are that such a trend will continue and organisations will increasingly benefit from technology at an even faster pace. Green marketing can utilise technology and technological progress and innovation to its advantage. Although technology may be regarded as waste maker and polluter, Welford (1995) argues that: *"....industry is beginning to develop the new technologies and techniques which may help to move the global economy towards sustainability...." (pp. 10-11).*

Since consumption reduction and better use of resources appear at the forefront of environmentalism, technology may be holding the key to dealing with such problems (Cannon, 1994). Secondary technology such as the use of the Internet by organisations can also assist with environmental efforts. Suma Wholefoods a UK based ethical company admitted that the use of the Internet had affected its business instantaneously, changing just about everything that it did, such as monitoring of global aspects of business. With reference to the role of technology, the same company made the following observation in 2005:

> *"Packaging waste regulations made us look at ours ...it was unacceptable the amount of un-recyclable waste we generated, however, on investigation we discovered that our (viable) options were severely limited, for instance, Tetrapack packaging is entirely aseptic, very sturdy, and easy to transport and repack. However, it is made by bonding an array of papers, plastic, and metal foils, all of which renders it un-recyclable. There's a cardboard, fully recyclable, similar product in Japan! No-one in the west has the machinery to produce or pack with this material. Quandary; what do we do? Deepen our CO2 debt by shipping raw products to Kyoto to be packed and shipped back? Can we not use Tetrapacks on Soya milk products and use clear 'milk' bottle? NO, it would deteriorate at an alarming rate in storage 4-6 weeks as opposed to 1 year in Tetra".*

Elkington (1991) argued that a number of green technologies remain un-commercialised due to the fact that their pay back period tends to be longer than their conventional alternatives. Marketers are faced with a major dilemma in instances such as this. Consumers have been accustomed to receiving almost immediate benefits. It will be a difficult task to balance this with an emphasis on provision of benefits in the future (to the current and future consumers), say Peattie and Crane (2005).

> *"Regardless of the possible benefits of a radical 'clean slate' approach, companies have still preferred an evolutionary approach to greening involving familiar 'end of pipe' technologies. Innovation is being seen very narrowly in terms of product and production system technology. However, customer wants and needs can often be effectively met in ways that create environmental improvements by innovations in market structures and supporting services. This can allow needs to be met through renting rather than owning products, improving product longevity through service and maintenance, or reducing environmental impact through better product disposal."*
> (Peattie and Crane, 2005, pp357-370)

According to the US Office of Technology Assessment advanced technologies could remove hazardous industrial waste in the US by 75% as reported by Sanyal et al. (1991). Amongst technologies that deal with environmental problems, are those that:

- Clear pollutants from power station emission (in order to reduce acid rain)
- Reduce car exhaust emissions
- Remove metals and other pollutants from factory discharges

(Cannon, 1994).

It is logical to see active government participation in dealing with environmental problems. However, good intentions alone will not result in good deeds. Andersen (1994, pp. 17-18) offers "four basic typologies of technological means at government's disposal: dilution, end of pipe technologies (referred to as removal), cleaner technologies and structural changes" (referred to as prevention). Examples for dilution could be: sewer networks, high stack policy and waste sites. End of pipe technologies examples are as follows:

Sewage treatment, fluid bed and incinerator- cleaner technologies would include water recycling, energy efficiency and recycling. Structural changes would encompass dry processes, demand policy and packaging policy. Although all four technological measures are still applied the current favourite is the cleaner technologies approach.

> *"However, structural changes that could reduce the overall demand on resources have been long in arriving, although some examples can be found in transport policies"* (Anderson, 1994, p. 18).

With respect to information technology, it is safe to state that the Internet has been a major source of information. Two methods may be utilised here:

1. Green marketers could access on-line shopping mall such as Eco

Expo (http://www.ecoexpo.com), Envirolink (http://www,envirolink.org/), GreenMarket (http://www.greenmarket.com/GreenMarket), and EcoMall (http://www.ecomail.com) which would then enable them to create and maintain a Web listing for an organisation and its products thus positioning with those of numerous other green advertisers accompanied by editorial comments on green issues.

2. Creation of a Web site, which has been carried out by a number of organisations including Ben and Jerry's Home-made Ice Cream (http://www.benjerry.com). This way current environmental and social information aimed at the green reader can be disseminated (Ottman, 1996).

Furthermore, green orientated advertising using the Internet and web sites may assist organisations accomplish the following objectives:

> *" Expand distribution and awareness for their products at a minimum cost*
>
> - *Reinforce a green image. (Advertising on line saves paper and energy)*
> - *Provide an additional way for customers to interact with them*
> - *Provide in depth details about green attributes of their products"*
>
> (Ottman, 1996).

The list of organisations on-line exceeds 12000 and is on the increase. In the UK there are already over a thousand such organisations offering assistance. Perhaps this is a further indication of the popularity and growth of green marketing.

Andersen (1994) in his research into pollution control writes that the early 1970s' optimism as to effectively deal with damage to the natural environment was short lived. As the results of environmental policy have been disappointing. Despite the eradication of some environmental problems, new and more complex ones have appeared on the horizon. The 1970s tackled the most visible forms of pollution such as point sources of industrial effluents. Well-known technologies having been applied led to the rapid accumulation of sludge and clinker creating disposal problems. In addition, the so-called non-point and plural sources of pollution were identified. One reason for this, according to Anderson, was that the dilution policy created new pollution problems amongst which was the leakage of nitrate into the groundwater. Such problems had to be addressed.

Despite the fairly high expenditure, point sources could be managed by employing end of pipe measures, (Anderson, 1994), however, such means could not be applied to plural pollution due to its complexity. This offered a challenge to those in appropriate technologies/industries. New production technologies could replace expensive treatment processes. Such technologies could not only improve the environment but also save organisations money (Royston, 1979). However, while a certain awareness existed for the necessity for preventive and cleaner technologies concerning environmental programmes of the early 1970s, the reaction of the eco-industry was to a large extent to refine its existing knowledge of end of pipe treatment (Gerau, 1978) and Drouet, 1987). Preventive innovation came from outside the industry mainly in response to factors such as energy efficiency and other non-environmental issues (Husingh, et al., 1985).

> *"Making things even more challenging, 'green' products carry a heavy burden of misperception. More than 40% of (US) consumers still equate environmentally responsible shopping with laundry detergents that leave clothes dingy, or fluorescent light bulbs that cast a green hue. This is where designers come in."*
> www.greenatworkmag.com

Technology that is able to save water and energy, extend product life and manufacture products with low toxicity already exists to assist green consumers. Successes such as the iPod suggest that lower impact designs can even rejuvenate mature industries.

> *"Henry Ford's first motorcar used plant-based fibres in the body and an early picture of an axe-wielding Mr Ford showed the world how strong plant fibres were in re-enforcing man made materials. The idea was then mysteriously dropped and no reference to the use of hemp fibres being used as a plastic alternative have been seen until close to 1990 when the automotive industry re-discovered this little used technology".*
> http://www.authenticbusiness.co.uk

Technological challenge relating to the environment varies from one pollution sector to another. Traditional 'add on' technologies can deal with acid rain and the plural air pollution caused by cars and industry. But leakages of nutrients and pesticides from farming tend to be more intricate to tackle and control. The list of environmental problems where the application of traditional technologies is ineffective as a remedy is growing rapidly. Amongst such problems are the ozone layer depletion and the greenhouse effect. The demand for preventive action in order to avoid irreversible damage to the environment is on the increase.

Preventive action could be translated into new forms of production where there is less reliance on energy and dependence on different raw materials. It is acknowledged that preventive policies are difficult to standardise unlike the traditional removal policies, be it the dilution or the end of pipe types that could be prescribed on administrative policy instruments basis. Furthermore, in order to prevent pollution, each industry sector must be carefully analysed vis-à-vis their technologies. Although some larger organisations have been making intensive use of their research and development with a view to employing clean technologies, there is an acute absence of such initiatives amongst the smaller and medium sized companies.

3.9.1. SOME EXAMPLES

Innovation and use of pollution prevention can be financially beneficial to organisations. An example is the case of the St Paul, Minnesota based 3M manufacturing company as far back as 1975. The company produced Scotchguard fabric protector and Scotch tape as well as other products. It realised that environmental regulations would require pollution reduction from its plants. Instead of employing the traditional (and expensive) end of pipe pollution control techniques, the company decided to apply the concept of source reduction. This in short meant emission reduction prior to its creation. This strategy would not only cut costs but also place the organisation in a stronger long term competitive position.

3M used 3P (i.e. Pollution Prevention Pays) company wide while overhauling its product formulations and manufacturing processes in an attempt to totally reducing a number of emissions. The company saved over $500 million between 1975 and 1989 as a result of its green policies. In environmental terms, 3M has spared the environment something in the excess of 500,000 tons of pollutants and has managed to save 1.6 billion gallons of wastewater.

Technology has enabled car manufacturers to offer newer cars such as the Ford KA, the Renault Twingo and Mercedes Smart Car. They are compact, fuel economical, low emission cars designed and produced for city users in anticipation of environmental pressure and stricter legislation on pollution levels in cities (www. Biothinking.com, 5th September 2000).

New packaging technology using eggshell which contains more than 90% calcium carbonate making it fully biodegradable and cheap is now seen as a versatile substitute for plastic. Ecolan has developed its Lean

Material (Slavin, 2001) using such technology and material. Ecolan's products have between 30% to 70% lower environmental impacts than those made of glass, aluminium or laminated cardboard due to lower use of energy during production process (Franklin Associates, Boston environmental consultancy as cited by Slavin, 2001). In the same manner Sainsbury's has introduced potato based biodegradable packaging for its organic vegetables since 2001.

Amongst the more recent examples of the way technology can assist green marketing are approaches to motor vehicle fuels such as:

- **Hybrid** – this combines two power sources such as an internal combustion engine and an electric motor. According to the World Business Council for Sustainable Development (WBCSD) such a system has the following characteristics:

1. Energy loss reduction – the idling of the engine is stopped automatically, hence reducing potential energy loss.

2. Energy recovery and reuse- the energy wasted as heat during deceleration and braking can be recovered as electric energy and used to power the starter and the electric motor.

3. Motor assist- the engine is assisted by the electric motor during acceleration.

4. High efficiency operation control- the automobile's overall efficiency is maximised by the system using the electric motor to run the vehicle under low engine efficiency operating conditions as well as generating electricity at times of high engine efficiency.

http://www.wbcsd.org

Amongst its users are Toyota's Prius which is petrol and electric powered. Below is a comparative table of the Prius and the Land Rover Freelander whose sales have risen by 45% worldwide at 16,000 since June 2005. Meanwhile the sales of hybrids with two or more sources of power have more than doubled in the US in the last two months (August-October, 2005) to reach 40,000. Toyota is believed to possess a three- year technological lead on most US and European car manufacturers, and has an estimated record sales of 250,000 hybrids globally in 2005.

Toyota Prius		**Freelander**
(Grade T-hybrid)		(1.8 petrol)
£17,545 (from)	**Price**	(from) £17,300
67.7 mpg	**Petrol Consumption**	32.7 mpg
104 g/km	**CO2 emissions**	240 g/km
106 mph	**Top speed**	100 mph

www.motoringintelligence.com

Prius has been named the European Car of the Year by a panel of industry journalists from 22 countries. It is viewed by some as having 'the soul of a milk float in the body of a car' as well as 'the best compromise going', vis-à-vis its environmental efforts. Toyota sees this product as 'a car of the future'. Its expected European sales figure for the end of 2005 was 8,500 with a ten week long waiting list. The sales target for 2006 is double that figure. It is the wrong car for super acceleration, however, the right choice for comfort, safety, best navigation system according to one of its owners, Harry Kewell, a well-known Liverpool footballer (the Guardian, 25th October and 16th November, 2005).

- **Hydrogen** – a car developed by Suzuki converts hydrogen produced from the gas supply into electricity. However, this is still in its infancy.

- **Bio-fuel**- use of grape seed and other natural fuels. One major problem here is the quantity of rapeseed required and the land needed.

> *"The price of standard petroleum diesel fuel on an M4 service station was 99p a litre yesterday. At the Sainsbury's superstore in Greenwich, south-east London, 'bio-diesel' refined from rapeseed oil was selling for 96.9p a litre. Meanwhile, a sustainable energy co-operative in Buckinghamshire was delivering cleaned up cooking oil fuel for 89p a litre, and in west Wales, David Jones was buying sunflower oil from his local supermarket shelf at 44p a litre".*
> (The Society Guardian, 14th September 2005)

The above quote clearly communicates the fact that as the era of cheap fuel approaches its end, global supplies become uncertain and climate change is increasingly being accepted as more of a reality, the need for secure, less costly and ecologically sound fuels becomes more evident.

The International Energy Agency (IEA) argued that bio-fuels are the future of transport, although they were more costly to produce by rich nations than gasoline (early 2005). However, as the price of oil has almost doubled since that statement was made, that argument can no longer hold. The same organisation also suggests that 50% of world transport could run on bio-fuels by 2050. Bio-fuels are clearly emerging as the answer; however, the debate on how they are developed has barely begun (the Society Guardian, 14th September 2005).

- **Bi-fuel** – use of petrol and less harmful LPG (liquid petroleum gas). Vauxhall and Volvo are amongst the pioneers of this concept. (Campbell, 2002)

An even more recent example is Argent Energy a Scottish bio-fuel company that can turn used cooking oil and tallow (animal fat) into bio-diesel. The first batch was made in March 2005 and the plant is capable of producing 50 million litres of bio-diesel per annum. www.handsontv.info/series

Unlike Argent who buys fuel from abroad to refine and receives local and national government subsidies, smaller bio-fuel firms are not permitted to bid for government funding for recycling, nor are they to receive local government waste oils from schools or hospitals. Bureaucracy, in the shape of the Inland Revenue, Customs and Excise, the Environment agency, et al. make small- scale bio-fuel production costly and difficult. For further reference please Argent Energy in chapter seven.

The technology exists to assist companies to offer green products and in many cases provide them with competitive advantage. However, many suffer from myopia and short-termism attributed to the British industry of the past that saw the collapse of a once thriving motorcycle industry and the loss of motorcar market share to relative new comers such as Japan. However, technology may also be a two edged sword. The tripartite partnership of science, technology and industry can be an environmentally lethal cocktail. They exist to satisfy the material needs of the industrialised society. Improved means in technological terms do not translate into improved ends. In many cases it is unimproved ends (Postman, 1993). Ecological consequences of technology are at times totally ignored. Indeed technology is so powerful that it can brainwash on a global scale. By commandeering language, technology can be transformed to freedom, wisdom and truth (Winner, 1986). Technology seems to be used as a cure-all to all problems ranging from technological to economic and social.

The existence and spread of the so-called techno-fix should not be under-estimated. Technology has failed to cure many ills of different nature. Take for example the use of technology as a means of population control (Irvin and Ponton, 1988), economic development (Daly and Townsend, 1993), and the green agricultural revolution (Carson, 1962). The conclusion that one can form is that not every problem is technological in nature and only capable of being solved by using technology only. The result of applying technology to every problem is to simply shift it from one place to another. Technological and economic dominance in the market place has separated and removed nature from the realm of discourse, ethically (Matthews, 1991), intellectually (Merchant, 1980; Capra, 1982) and spiritually (Naess, 1973; Porrit, 1986; Fox, 1990).

> *"Truth is found in neither religion nor cultural traditions, but in the language of technology, efficiency, objectivity, and measurement. Its essence is the reductionism that finds the meaning of life in machinery and technique, or more specifically, their product, consumption..."*
>
> (Kilbourne, 1998, p.648)

Technology should not always be perceived as harmful to the environment in its various applications. As mentioned earlier, technology can be used in a way that it is beneficial to the environment or capable of damage reduction to it and can simultaneously create competitive advantage to the company. That in turn could lead to increased revenue and financial gains.

Conclusion

This chapter examined the various drivers of green policies in business ranging from compliance with legislative/legal requirements to corporate social responsibility and the generation of public concern for green-ness for marketing purpose and competition. As indicated at the beginning of the chapter these drivers are inter-related and the implementation of one could ultimately lead to the achievement of one or more of other drivers. True green organisations naturally go beyond mere compliance and gain a competitive advantage by so doing. The legal/legislative driver was discussed In great detail covering local, national and international perspectives. Customer safety and green product quality were examined in some detail. Consumer perception of green products tends to be one of inferior quality except perhaps for organic foods and certain energy saving/efficient devices. The varying shades of customer green-ness requires green segmentation and it can be suggested that there is no single green marketing strategy that is right for every organisation. Different market and competitive conditions range form fairly passive and silent 'lean green' approach to more aggressive and visible 'extreme green' approach, with the 'defensive green' and 'shaded green' appearing in the middle ground. It is imperative that managers comprehend these strategies and the underlying logic behind them in order to assist their organisations to benefit from green marketing (Ginsberg and Bloom, 2004).

The drivers analysed above vary in significance, level of influence and independence (whether capable of being subsumed by another major driver). Marketing's roles as a creator of demand for green goods by means of educating the consumer and promoting the benefits of those goods were discussed. Corporate social responsibility as a driver for green marketing was also examined. This theme was studied in some detail in earlier chapters and as such its analysis tended to be rather brief. The role of competition and whether green marketing can provide organisations with a competitive edge were also analysed. Competitive pressure could result in rivalry, opportunity and/or advantage. The availability of and access to appropriate technology can be a major boost to a company's competitiveness vis-à-vis green marketing. However, the use of technology for this purpose despite appearing as a costly exercise for some companies at the outset could be beneficial in the long run. What perhaps delays or indeed postpones indefinitely the application of green marketing to a company is the apparent absence of a return on (green) investment. The benefits of investment in green marketing and related technology can at times take longer to be realised than is the case for the average company investment in the UK. A paradigm shift in organisational thinking is required to include other variables in corporate decision making beyond shareholder value.

Chapter Four

Business Strategies and the Relationship with Green Drivers

Introduction

This chapter will study the problem of ascertaining whether a business is pursuing green policies out of ethical conviction rather than necessity and the extent to which these pressures may become difficult to disentangle. There will also be an examination of the types of organisations that are required by external pressures to adopt green strategies. In addition organisations that may be driven to provide green policies to fulfil customer demand or secure a niche demand, will be discussed. Furthermore, an analysis of those organisations whose ethical concerns may lead to green policies will be carried out. Finally, the dilemma of maintaining both an ethical stance and retaining profitability will be studied.

4.1. Ethical Conviction or Necessity?

> *"Those who really deserve praise are the people who, while human enough to enjoy power nevertheless pay more attention to justice than they are compelled to do by their situation."*
> (Thucydides)

There are a number of organisations who through own conviction either due to senior management espousal or internal pressure, dependant on the nature of industry or available technology, pursue ethical policies an offshoot of which could ultimately be green strategies. It could also be argued that the majority of companies employing green policies do so out of necessity and/compulsion and not on a voluntary basis. (Only a minority are intentionally committed to implementing ethical strategies). This necessity could be legal in nature, competitive led, be for economic gains, senior management decision making or due to a combination of factors.

It can be argued that managerial ethics, good or bad, influence the ethos of the organisation and assist in forming the ethical choices and decisions of its employees. Management helps to set the tone, develop the corporate vision and shape the behaviour of those involved in an organisation's activities and operations.

> *"Business and politics serve as the metronome for our society. And the meter and behaviour established by leaders set the patterns and establish the models for our behaviour as individuals and as a group. Although the terms 'business ethics' and 'moral leadership' are technically distinguishable, in fact, they are inseparable in the life of every organisation"* (Gini, 1996, p3).

Gilligan (2000, p. 12) asserts that: "*the active management of environmental and social performance is increasingly being recognised as an important driver in achieving long term success*". He further writes that it is no longer just economic factors that should be considered but also environmental and social issues must be taken into consideration.

This is a reference to the *triple bottom line* concept, discussed in more detail later in this chapter.

An increase or even escalation in the volume of Corporate Social Reporting (CSR) by organisations is a reflection of the compliance with an increasing number of legislation and voluntary initiatives (Clarke and Gibson-Sweet, 1999). Indeed as from April 2006, under the DTI's Operational and Financial Review, CSRs (containing information on the environmental, social and ethical risks and opportunities faced by companies) will be required from all listed companies in the UK. Many companies regard social investment as good business investment. They successfully ally corporate objectives to social purpose and deliver community benefit as a result (Pike, 2001). A survey carried out by Business in the Community (BiTC) and the New Economics Foundation in May 2001 found that 94% of respondents (a variety of business and social responsibility specialists, including industry leaders) wanted all large organisations to adopt social and environmental reporting practices. (http://news.ft.com/ft/gx.cgi/ftc?pagename=View&c=Collection&cid=FTD4NZ6J2FC7titl.).

McGuire (1963) went beyond economic and legal obligations of an organisation and believed that certain responsibilities to society also exist which extend beyond the law. But regarding markets and the law as a sole basis for legitimacy can be rather simplistic and is criticised by

Sethi (1975) since laws lag behind social norms and react slowly to social concerns. Organisational responsibilities and duties go beyond laws which tend to define minimum standards (Bansall and Howard, 1997).

Senior management espousal in certain organisations has acted as a catalyst in greening the company affecting all layers right down to the shop floor. Many organisations may possess determined green employees and/or junior-middle managers, however, green policies are not taken seriously for a variety of reasons, a major one being the absence of senior management commitment.

However, Kleiner (1990) warns of radical changes to the organisation stating that such people are often stymied. Frause and Colehour reiterate this sentiment, (1994, p. 110) and write*: "corporate culture and political pressures provide almost insurmountable resistance against any sudden and even enlightened change".* Organisations are thus faced with a dilemma: if change is only gradual and incremental, will we still remain competitive in our market, while others embrace green policies at a faster pace? Costs and benefits must be balanced against each other. Although the costs may be calculated with more accuracy the benefits of green investment cannot always be apparent at the time. The section on cost benefit analysis deals with this aspect of decision making.

4.2. What Types of Businesses are Required by External Pressures to Adopt Green Strategies?

It can be argued that apart from a handful of organisations that operate within the 'sin industry', i.e. production of harmful goods such as weapons and cigarettes, etc., the rest are expected to be environmentally aware, concerned and responsible. However, the degree of pressure and the extent of organisational greening can also vary depending on the nature of industry. The chemicals industry (encompassing pharmaceuticals, cosmetics and toiletries) and the food and drinks manufacturers would probably be prime targets by external agents to go green. Their neglect of such policies could not only harm the eco-system but also endanger animal and human lives. This, however, does not imply that other industries are exempt from such pressures, only that the urgency, levels of scrutiny and the extent of pressure to adopt green policies might not appear so drastic. Many such businesses would only comply with legislation relating to the environment in order to avoid financial penalties rather than organisational commitment to environmentalism. Since legislation can reflect consumer and societal feelings and moods, increased attention to the environment by the afore-mentioned could result in higher levels of environmental legislation and further greening of businesses.

4.3. Identification of Businesses Where Ethical Concerns Lead to Green Policies

Corporate ethics, a major part of which could be embracing green marketing, is clearly reflected in the mission statements of organisations such as United Biscuits and the Co-operative Bank, (Cannon, 1994). No organisation claiming to be ethical can realistically neglect its commitment to the environment. Therefore, it would be expected of ethical organisations to pursue green policies too. Although in some cases the organisational green initiatives might be viewed as small-scale operations that simply complement its large-scale ethical activities. See for reference, the Co-operative Bank's paper recycling and reduction of paper use in its offices and so forth. Some organisations gain a reputation as being ethical while others become prominent through their green policies. This should not, however, prevent them from pursuing their secondary objectives while implementing primary strategies.

Bodyshop's founder, Anita Roddick, through PR efforts and to some extent, genuine commitment, has gained a global reputation representing an ethical organisation that also practices green marketing. Its financial performance has been rather disappointing in recent years and there have been controversial reports relating to the Body Shop International's green activities and the depth and extent of their true commitments, as well as the cost of their operations in environmental terms. In 1995, the organisation established The New Academy of Business, an educational charity aiming to bring together the best in values-led business practice with progressive management thinking. The Academy states that success should not always be measured in financial terms, but also in the manner in which an organisation deals with major current social and ethical issues such as:

- *" The challenge of globalisation and the need for responsible and just international trade*
- *The importance of protecting the environment and pursuing sustainable development*
- *The accountability of business to its local and national community*
- *The need for a vision of enlightened and creative workplaces"*

(http://www.new-academy.ac.uk/nababout.html.).

It can be noted form the above points that green and environmental issues rank fairly highly amongst the objectives of the Academy established by the Body Shop that has a reputation as an ethical company.

4.4. The Problem of Maintaining Both an Ethical Approach and Retaining Profitability

> *" Environmentalists are sometimes accused of being mere doom merchants, wearing people out with their endless prophesies of catastrophe, whose solution is to turn back economic progress. Conventional environmentalism is incapable of rising to that challenge (of confronting market .liberalism): its appeal is too narrow, too technical, too anti-*

business, too depressing.
If environmentalists are to succeed, they must break out of this image and seek to mend capitalism rather than overthrow it".
(Jonathan Porritt, Financial Times, 7th November, 2005, p 9)

The Financial Times 'World's Most Respected Companies' survey asks chief executives and non-governmental organisations (NGOs) to identify those organisations that deserve to belong to the above list. Their choice is based on corporate social responsibility of the selected firms. The selectors generally praise companies that performed well financially as well as minimising their adverse environmental impact and having a positive impact on the community at large. Economic success is regarded as a crucial complement to a sound ethical strategy, as a way of disproving the common perception shared by business leaders that corporate social responsibility which encompasses caring for the environment, is either irrelevant or can adversely affect profits (Harvey, 2004).

Amongst typical remarks made by NGOs on companies they had selected were: "*I respect companies that do well financially while simultaneously acting in a responsible manner*" (said about IBM), and "*very socially focused and still able to make money*" (said about Virgin). If organisations such as Microsoft, BP and Coca Cola can boast a healthy financial performance alongside a commitment to socially responsible (and environmentally concerned) behaviour, that may encourage their sceptical competitors to improve their practices.
http://find.galegroup.com

Jonathan Porritt a well- known environmentalist challenges business leaders and politicians to begin reshaping the manner in which the global economies work so as to limit environmental degradation. He wishes to correct the tendency of capitalism to pursue short-term profits while neglecting any long- term harm that might be inflicted on the eco-system by exploiting the Earth's finite resources. However, he does not intend to tear down the constructs of free market capitalism in the manner that certain environmentalists have suggested, rather to repair and leave them intact. He further states that: *"conventional environmentalism is too narrow, too anti-business, too depressing and often too dowdy. "* (Financial Times, 7th November, 2005, p 9).

Businesses are required to make a profit in order to survive and/or grow. To do so with a clear conscience and in an ethical manner might be the wish of large numbers of organisations, however, such intentions also require finance. Unfortunately, such costs are viewed by companies as expenditure and not investment. Even if some see it as an investment, they might question the certainty of a return or the pay back period. Although businesses take risks with any form of investment, with ethical investment, they might consider the risks to be even higher. Some also view such policies not as primary objectives of the organisation, but an add-on or even a luxury. Some form of trade-off is required to convince companies of any logic behind ethical investment. Cost benefit analysis might be employed to explain this.

4.4.1. Cost Benefit Analysis (CBA)

> *"Of course when business managers take ethics and (environmental and social) responsibility seriously, they must at least sometimes turn down profitable opportunities that fail to satisfy their ethical and environmental tests. So, corporations must be prepared to lose money, at least in the short run, in the pursuit of CSR (which includes caring for the environment). The driving question, then, becomes: is the money that responsible corporations gain in the long run greater than the money they lose by being responsible?"*
> http://news.ft.com/cms

Based on utilitarianism a rationally operated organisation would attempt to maximise its good and minimise its bad to ensure that there is a profit having balanced out the costs and income. Organisations have been traditionally interested in the bottom line of the ledger sheet where profit or loss is highlighted. This CBA can be regarded as a utility calculation activity. Businesses use utility curves to illustrate the outcome of their various activities selecting those that yield the maximum in terms of achievement. Such an approach can also be applied to ethical and/or green issues. However, a distinction must be made between utilitarianism and utility analysis as used by business, according to De George (1999). When an organisation uses a utility or CBA, it compares and contrasts the good and the bad consequences of carrying out a certain act or operation, to itself, which is usually in monetary terms. However, a utilitarian/ethical analyst considers the good and bad results of such an act or operation on everyone affected by it.

CBA is a reasonable reflection of Bentham's concept of an exact quantitative decision making method. This method is different to Bentham's hedonistic calculus as monetary measures are applied to assess benefits and drawbacks of a variety of alternatives. Any activity that results in the £ amount of benefits exceeding the £ amount of damages is worthy of consideration. The one activity that is capable of providing the highest net benefit as measured in monetary terms, must be selected (Mishan, 1976). From an economic perspective CBA is a vehicle for achieving an efficient allocation of resources.

Business decisions that involve an evaluation of the return on investment (RIO) are examples of cost benefit analysis. However, business decision making is distinct from what is generally defined as CBA. Organisations usually compute the anticipated costs and benefits only for themselves, as pointed out earlier. Social planners, legislators and other users of CBA consider the costs and benefits for everyone. The major drawback of CBA is that its focus is so narrow and it considers economic efficiency in resource allocation. As such it is not the norm to apply CBA as a basis for personal morality. However, its use for making major investment decisions cannot be doubted. CBA is not regarded as a 'complete ethical theory but a utilitarian form of reasoning with a limited but important range of application. Cost benefit analysis is also not necessarily intended to be the only means of making decisions' (Boatright, 2000, p 41). Green marketing then at times may override considerations of efficiency and lead to the adoption of rules and regulations where costs may well exceed the apparent or immediate benefits. This does not mean that green marketing and protecting the environment will not involve an awareness of the costs and benefits of different legislation and regulatory schemes and the resultant trade-offs.

Another criticism of CBA is that not all costs and benefits have an easily calculable monetary value. For instance, there is no market to assess the value of fresh air or peace and quiet. Furthermore, the market value of some goods may be distorted due to a number of factors, making their true value difficult to calculate. From an economist's viewpoint the market value of goods does not always reflect their opportunity cost, as determined by the consumers' marginal rates of substitution, seen by economists as the proper measure of value. Some CBA, for instance, involves calculating the value of a human life. Such calculations are necessary for certain activities not necessarily what how much a human life is worth, but to enable organisations and individuals to compare alternatives where life may be in danger.

The advocates of CBA argue that it is a 'value laden' theory with at least one advantage that it is capable of making explicit value commitments, in order for them to be 'flagged' and properly taken into consideration. However, the validity of any CBA is largely dependent on the objectivity of those who carry it out. Its role in public decision making should not be neglected. As mentioned above it should not be the only means of making choices as a society. Although efficiency in resource allocation does have benefits, it is not the society's only value.

4.4.2. Economic /Financial Issues of Green Marketing

> *"Whatever one's view about CSR (and its sub-set caring for the environment) most research indicates that the majority of practising managers reject a profit only philosophy of corporate management. Numerous studies over the past four decades reveal that most managers prefer to assume some responsibility for serving the interests of other stakeholders, such as employees, customers and members of the surrounding community (and the environment). Internationally, the US has the highest percentage of managers who endorse a profit only perspective, but even in the US the percentage has never risen above 40%. In other countries, such as Japan, the percentage is in single figures.*
> http://news.ft.com/cms

Economic gains can offer an important inducement for organisations to pursue green marketing. In addition, there may also be by-products in the form of improved corporate image and enhanced reputation, both of which could contribute to competitive advantage. Furthermore, green marketing policies may require investing in more advanced technology or obtaining access to it, thus gaining competitive advantage. This again underpins the indivisibility and inter-relatedness of green marketing drivers. As previously mentioned organisations such as the Body Shop and the Co-operative Bank, and Suma have benefited financially (and otherwise) from their ethical approaches in the market place by so doing. Although as pointed out earlier the Body Shop's financial performance has not been as successful as it had in the past years, however, the half yearly figures for 2005 appear more optimistic.

> *"If optimising financial performance in the long run requires at least some attention to CSR (and the environment), then the debate shifts partly to how managers should think. Should they have a single motive to maximise the financial welfare of the owners? Or should they have multiple motives, including social responsibility? Often it is not possible to discern from the outside just what motivates a given manager. Does a manager treat his employees with dignity (or for that matter the environment with more respect) because he thinks it is the right thing to do or because he believes in the long run the company will make more money? Research by Thomas Jones at the University of Washington suggests that it is only when managers do what is right because it is the right thing to do that they achieve maximal financial benefit for the company."*
> www.ft.com

A socially, environmentally responsible and effective manager would ensure that every stakeholder group's interests are considered and that the ultimate business decision is one that is financially, ethically and environmentally sound. Company policy and philosophy, national culture, manager's own commitment and attitude to social and environmental issues and the extent of independence and flexibility available would all contribute to the final decision.

> *"In recent years, an exogenous factor has entered the debate, in the form of socially responsible mutual funds and social indices such as the Calvert Social Balanced fund and the Domini Social Equity Fund in the US, and the UK based FTSE4Good Index. To the extent that investors sometimes evaluate stocks on the basis of measures other than financial return, it follows that company stock price will reflect social as well as financial characteristics. This implies yet another factor encouraging a correlation between CSR (which includes environmental care) and financial performance. Stocks with good CSR ratings may enjoy a small price premium, even as ones with poor ratings carry a price discount."*

http://news.ft.com/cms

With respect to FTSE4Good Index, companies are assessed on the following basis:

- Working towards environmental sustainability
- Developing positive relationships with stakeholders
- Upholding and supporting universal human rights

In short, it covers ethical and environmental dimensions of a company's operations, activities and policies. For obvious reasons tobacco producers, part or whole manufacturers of nuclear (and non-nuclear) weapons, owners and operators of nuclear power stations and organisations involved in the extraction or processing of uranium are excluded from the index.

Research such as the one carried out by Harvard's Joshua Margolis and JP Walsh at the University of Michigan has pointed to the existence of a positive correlation between corporate social performance and corporate financial performance. However, the researchers warn that numerous more studies are required to substantiate a clear correlation between social and (environmental) operations and financial gains. As far as environmentalism is concerned the following quote explains the necessity of investing in it:

> *" In the absence of universal ratification (of the Kyoto treaty), individual governments at the supranational, national, regional and state levels are coming up with their own regulations on carbon emissions: the EU Emissions Trading Scheme comes into force in January 2005, for example, and state and regional governments in Australia, Canada, Japan,*

the US and elsewhere are also setting new rules. The particulars differ, but the bottom line is the same: emitting carbon and other substances will become more expensive, and shareholders want to know how the executives plan to manage these costs."
www.mckinseyquarterly.com

4.4.2.1. Rachel Carson meets Adam Smith

> *" The eco industries now employ more people than pharmaceuticals or cars, and are growing at 5% a year. It's natural, when you have so many people unemployed to look to economic growth, but that doesn't mean you have to sacrifice the environment. Rather, it can contribute to growth and jobs. I say look at China, where economic growth is at the expense of the environment. Tomorrow, they will pay for it."*
> (Stavros Dimas, EU Commissioner, the Guardian, 28th September, 2005, p 8)

Some pundits see the application of market forces to green marketing as a means of ensuring success. Environmental groups' continued rejection of 'pragmatic solutions' and their shift towards Utopian visions of the future might prove disastrous. Advances in the management of global natural resources are taking place which could prove beneficial to environmentalists. Perhaps market based approached should be considered as an option. One example is the assignment of property rights over "commons" such as fisheries that are abused, since they belong simultaneously to everyone and no-one. Over-fishing has been reduced when tradable fishing quotas have been introduced. Emissions trading is also taking off, and the EU's pioneering carbon-dioxide trading, controversial though it may be, has the aim of slowing down climate change. There are efforts to value previously neglected "ecological services", both basic e.g. water filtration and flood prevention, and 'luxuries' such as wildlife preservation. Advances in environmental sciences contribute to the accuracy of those valuations. It is possible to employ market mechanisms to achieve these goals at the lowest cost (the Economist, 21st April 2005).

Pricing the nature in a similar manner is being conducted in a large number of countries throughout the world. For the green revolution to succeed, there are three basic requirements:

1. Setting up of correct prices; liquid markets such as the case of emissions trading could help. Politics merely sets the goal, how that goal is achieved is up to the traders.
2. The above would be dependent on appropriate information and its provision. The tendency to view the environment as a "free good" must be abandoned and replaced with its many benefits for humanity. The recent Millennium Ecosystem Assessment and the World Bank's annual "Little Green data Book" would make this feasible. Technologies such as satellite observation, computing and the Internet, can contribute effectively to green accounting becoming less costly and easier.
3. The final point is the application of cost-benefit analysis.

> *"At this, greens roll their eyes, complaining that it reduces nature to dollars and cents. In one sense, they are right. Some things in nature are irreplaceable- literally priceless. Even so it is essential to consider trade-offs when analysing almost all green problems. The marginal cost of removing at last 5% of a given pollutant is often far higher than the first 5% or even 50%: for public policy to ignore such facts would be inexcusable."*

www.economist.com

Serious governmental investment in green data acquisition and co-ordination would provide them with some guidance. By adhering to data based, analytically rigorous strategies rather than appeals to 'save the planet', environmentalists could perhaps overcome the scepticism of the ordinary voter. This might even elevate environmentalism to the middle ground (where most voters reside) and away from the fringes of politics. It has been suggested that the next green revolution is already under way. Rachel Carson the 1950s and 1960s green pioneer is joining forces with the hero of free marketers, Adam Smith.

> "*The world may yet leapfrog from the dark ages of clumsy, costly, command and control regulations to an enlightened age of informed, innovative, incentive-based greenery*".
> (The Economist, 21st April 2005).

Even established environmentalists such as Jonathan Porritt who works as an adviser to Unilever, write that capitalism can be adapted and transformed to enable sustainability (FT, 7th November 2005).

The question of profitability within ethical/green parameters can be further elucidated by making a reference to the CERES Principles. These principles can be treated as guidelines for ethical policies and for operating ethically by an organisation.

4.4.3. The CERES Principles

It has often been suggested that good ethics is good for business

(Davis, 1994). A report carried out on behalf of the Institute of Business Ethics (IBE) states that taking ethical behaviour seriously makes a clear positive difference to the financial performance of British companies (Brown, 2003). One way for organisations to substantiate their green credentials is to adopt the CERES Principles (Coalition of Environmentally Responsible Economies). The Valdez Principles established in the aftermath of the Exxon Valdez super tanker disaster were a precursor to CERES. According to Wasik (1996), the Socially Responsible Investing (SRI) movement created these Principles. The main philosophy behind the Principles is to make multinational corporations accountable for their corporate operations. Wasik (1996) further writes that the CERES Principles *"are more than a pledge of loyalty to sound environmental management. They are the ideal for environmental operations"* (p 202). Accountability (by corporations) is stressed as a basis for these principles. When applying the Principles to a supermarket chain, for instance, the following principles would be observed:

> *"Protection of the Biosphere*
> *Sustainable use of natural Resources*
> *Reduction and Disposal of Wastes*
> *Energy Conservation*
> *Risk Reduction*
> *Safer Products and Services*
> *Environmental Restoration*
> *Informing the Public (of possible dangers to health, safety and the environment, etc.)*
> *Management Commitment*
> *Audits and Reports (annual self evaluation of implementing these principles which will be available to the public)".*
> (Wasik, 1996, pp 202-203).

Amongst the signatories are General Motors and Polaroid who would have implemented company wide environmental management. This has been reflected further in their overall marketing. A less stringent version of the CERES Principles, i.e. the Business Charter for Sustainable Development (BCSD) exists, and hundreds of organisations have subscribed to it. BCSD is the most widely adopted of green accounting pledges. BCSD's emphasis ranges from full cost accounting (of environmental impact) to sustainable management (Wasik, 1996). The benefits of green marketing are becoming more apparent for corporate accountants even if it relates to issues such as waste output reduction which may result in enormous financial savings.

Pollution prevention programmes implemented by American companies, according to a Michigan University survey, improved operating performance in their first year of application. The second year witnessed the enhanced return on equity, as an indicator of investment value. Novo Nordisk, a Norwegian organisation strove to replace toxic chemicals in food, paper and detergent production, by means of developing bio enzymes. The Xerox Corporation was rewarded a $200 million profit as a result of investing $100 million in recycling toner cartridges. It is a basic business rule that reduction in the cost of materials, production and distribution could lead to higher profits (Hamilton, 1994). It is essential, however, to distinguish between rhetoric and actual behaviour by organisations.

To consider environmentalism and economic growth as being two conflicting business activities is misleading (Lozada and Mintu-Wimsatt, 1996). The UK company, Combined Land filled Projects provided power for thousands of homes by using gas which would otherwise pollute the atmosphere (Fitzherbert, 1998). The company is treated with a great deal of respect by the present government as it would contribute towards its drive to generate 10% of the UK's electricity from renewable energy by the year 2010.

The oil companies' fairly recent environmental policies, such as BP and its summer of 2000 TV commercials and the 2005 press advertisements aimed at portraying the organisation as an environmentally concerned company support the notion that being green is good for business. Furthermore, companies are becoming increasingly aware that it is not simply what they sell, and who they sell it to that matters but also what they stand for that is important. Investment in renewable energy initiatives by the oil companies can be seen as a proactive step to ensure future survival. During the period 1990-1997 while the sales of coal and oil grew by just over 1% per annum, geothermal power saw an increase of 3% whereas solar photovoltaic went up by 16.8% and wind power grew by a dramatic 25.7% (Brown et al., 1998).

The opportunity and the challenges are there for businesses to take advantage of, and a number of pro-active companies are doing so. The 980 million or so compact fluorescent light bulbs used today reduce electricity needs by the output of approximately 100 coal-fired power stations. When there are undeniable signs that consumers demand green and environmentally friendly products, proactive businesses can satisfy such needs at a profit.

Research carried out for the Institute of Business Ethics (IBE), found that companies that take ethical issues seriously, are generally better managed and more sustainable than those who do not. Those organisations that do not practice ethics because it is "right" may change their minds if they think it will make them more profitable, the IBE states (Brown, 2003). A paradox may arise here: to be ethical is profitable, however, to be ethical because it is profitable is not ethical (Koestenbaum, as cited in Brown, 2003). Amongst the participating organisations in this research was Suma that has a well-established ethical and green reputation. These were its remarks:

> *"There may not be any obvious financial advantages in the short term, but....our most important USP is that people trust us. That has no tangible value outside of the business principle of goodwill. But we are convinced this is the reason that we consistently outperform all of our competition both in service, market penetration and turnover."*
> (Suma representative, 2005)

4.4.4. The Triple Bottom Line

> *" In this year's Management Agenda survey, which canvassed the views of 618 managers-71% aged between 31 and 50- Roffey Park Institute claims the notion of an organisations' triple bottom line is becoming a source of competitive advantage to those companies able to demonstrate their responsibility. 'Employees increasingly want to work for ethical organisations that respect not only their own employees, but also wider society', the report concludes".*

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It can be argued that social responsibility by an organisation is ensuring stakeholder welfare, and respecting the society as a whole. Making a profit in order to survive and prosper should not be frowned upon. However, some ethical organisations such as the Body Shop emphasise that profit is made with a wider social responsibility, referred to as 'profit with principles'. It could be envisaged that part of such responsibility would be to care for the environment, a constituent part of the society in which the organisation operates. Gilligan (2000), with reference to the triple bottom line concept argues that managers should focus on financial, environmental and social performance. At its narrowest the triple bottom line is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest the term is used to capture the whole set of values, issues and processes that organisations must consider so as to minimise any possible harm resulting from their operations and activities. The term also refers to creating economic, social and environmental values. This would require clarity of organisational aims and objectives and consideration of all the stakeholders (http://www.sustainability.com/philosophy/triple-bottom/tbl-intro.asp?popup=1)

The three bottom lines, which are in a constant state of flux, due to social, economic and environmental pressures and conflicts represent society, the economy and the environment. Society depends on the economy and the economy is dependent on the global ecosystem, whose well being represents the ultimate bottom line. The creation of a positive and environmentally concerned and even committed corporate image could also lead to profits as highlighted above. This can be substantiated by an example from the US where more than $2 trillion (£1.31 trillion) of mutual fund and pension money was redirected into organisations that are deemed socially responsible (Inman, 2000)

Conclusion

In conclusion, although the financial benefits of investing in ethical and/or green policies may not be apparent at the outset to businesses, indications are that pro-active and progressive companies are already reaping the benefits of adopting such policies. They regard expenditure in ethical and green activities and operations as a long-term investment and not a short-term cost. However, should a business adopt ethical policies simply because it is profitable? Businesses require profitability to survive and perhaps expand. A green or ethical business decision that can result in financial and other benefits should be considered seriously by an organisation. A variety of factors such as market demand, nature of industry, availability of appropriate technology and result s of cost benefit analyses and triple bottom line, and the CERES Principles would help senior management with its decision making process in relation to green marketing initiatives.

CHAPTER FIVE

RESEARCH METHODOLOGY

Introduction

The thesis aims to test the impact of green marketing on organisations. As suggested earlier there is a strong link between marketing ethics and green marketing and the two are interlinked. For this reason while the main focus of this thesis is on green marketing, ethics cannot be divorced from this study.

The major objectives to be investigated by the proposed research are:

- To evaluate literature available from a variety of sources green marketing.
- To analyse and evaluate drivers of green marketing.
- To examine organisational green marketing strategies and their implementation.

The word 'green' has a variety of meanings to different organisations and individuals. Furthermore, the term 'green marketing' requires clarification. Pujari (1996) quotes Yin (1989) that research into greening industry can be regarded as descriptive or exploratory.

> *"Facts are incomplete and the comprehension of the subject is not well developed. Premature hypothesis setting can unreasonably focus or restrict the investigation with the risk of making major oversights*" (p 94).

As such, it is perhaps necessary to make broad descriptive hypothetical statements. Failure to do so may result in an unmanageable research project in danger of being unfeasible due to financial and time constraints

5.1. Explanation of the Paradigmatic Stance

A phenomenological or interpretivist approach was selected for the purpose of this research as will be explained below. This was in the shape of using case studies of a number of participating organisations as mentioned earlier. Epistemological issues and further explanation for using this approach is provided later in this chapter.

It has been suggested that (Easterby-Smith et al., 1991) there exist two philosophical approaches to management research, namely positivist and phenomenological. The former suggesting that the social world exists externally and as such its properties ought to be measured using objective methods, whereas the latter reflects that the world is socially constructed and is subjective. Researchers do not, however, adhere exclusively to positivism or to phenomenological approaches, in practice (Burrell and Morgan, 1979 as cited in Pujari, 1996). It is difficult to simply consider either quantitative, qualitative methods, for instance, as the research design could break down. For this purpose, Fielding and Fielding (1986, as cited in Pujari, 1996), advocate the use of both methods, whose combination could prove effective.

The choice of research area, objectives, and related theories, how knowledge is collected and organised were determined by the paradigm which was either implicitly or, (as in this case), explicitly, being used. The term 'paradigm' has a long history, but Kuhn (1970) controversially used it to denote a theoretical perspective, or school of thought. The debate which resulted, such as that in Lakatos and Musgrave (1970), led Kuhn to make it clear that he was in no way fixated with the term 'paradigm' and was equally happy to use the term 'matrix' instead. The researcher shall continue to use the term 'paradigm'. Kuhn also insisted that the social sciences had no dominant paradigm, and therefore, were 'pre-paradigmatic'.

However, the researcher, in common with others, rejects this view and will apply an interpretative paradigm to green marketing. Obviously where the object of research lends itself to quantitative approach, the positivist paradigm is the one adopted by most researchers, as mentioned earlier. However, given the qualitative nature of the research, a phenomenological, or hermeneutic paradigm seemed the most appropriate, in which, as explained, the one thing a fact never does, is to speak for itself.

The researcher's paradigm rejects the positivist view that reality is composed of atomised 'facts' which are merely 'reflected' in the thought of the researcher; insisting instead that the world is an interconnecting and interpenetrating totality, in which the researcher interprets, or refracts, rather than merely 'reflects' the object of study. It is therefore, important to stress the predominantly complex and qualitative nature of knowledge relating to the decisions of those involved in green marketing. It is also important to reject naïve positivist paradigms that suggest that the researcher should be 'value free'. It is important for the researcher to express value judgements and allow critics to assess the appropriateness, or otherwise, of these judgements.

The chosen paradigm makes the point, for example, that the study of human beings can create problems since individuals being observed or questioned are likely to react to this process in a variety of ways. An interpretative paradigm states that both those being studied and the researcher attach meaning to events as well as having a range of social priorities, which means extra complexity and lack of determinateness in the study of society. Milton Friedman (1953), the positivist economist, for instance, insists that as the major function of the social sciences, prediction is problematic in that human agents react to predictions by perhaps making them self fulfilling.

5.2. Research Design

Churchill (1991, p 127, as quoted in Pujari, 1996) writes:

> *"A research design is simply the framework or plan of the study used as a guide in collecting and analysing data. It is the blueprint that is followed in completing a study".*

It was envisaged that the research would be largely qualitative in nature and that the presence of quantitative elements would be minimal. The main sources of data related to qualitative research are: participant observation, unstructured and semi structured interviewing and document examination (Bryman, 1989). It is also possible to employ no-participant observation, structured observation as well as some questionnaires. But the three major methods mentioned above tend to be more frequently used. Overall, types of qualitative organisational research could be categorised as follows:

Total participant – this at times includes some interviewing and document examination.

Semi-participant – the researcher in an indirect role observes one or two organisations. Again interviewing and checking of documents may be included.

Interview based – interviewing 1 to 5 organisations. This is the main focus here. Some observation could take place between interviews.

Multi-site – individuals in 6 or more (usually more than 10) different organisations are interviewed. This is further complemented by observation and examination of documents (Bryman, 1989).

5.2.1. Qualitative versus Quantitative Research

Qualitative research places more emphasis on interpretation, setting parameters of what is interesting and important to the researchers subjects rather than to their own interests. This type of research also lends more weight to context when compared with quantitative research. If the project intended to investigate management of change themes in an organisation, the use of quantitative methods would prove problematic. However, the use of archival data may alleviate such problems. Quantitative studies also require a rigorous data collection framework. Such a requirement is also detected in survey research especially in selection of samples, and to an even larger extent in questionnaire and schedule where the researcher is fully aware of what can and cannot be found. Many researchers as well as carrying out participant or non- participant observation, questionnaire distribution, may also interview and examine documents. Such activities could be capable of providing extra information and assisting in cross- checking and lending more validity and credibility to the entire research programme. Quantitative studies tend to employ a single data source. Some researchers may collect additional data from organisational records, for instance. However, this usually takes place in relation to specific variables not directly amenable to questioning for example the organisation's financial records. Such documents could provide performance measures in strategic management studies (for example

Lenz, 1980, quoted in Bryman, 1989). Qualitative research, on the other hand, may depend on unstructured interviews limiting its capacity to use multiple methods such as participant observation. The result would be the loss of alternative source of data. But the researcher does not simply visit the organisation totally oblivious of the environment, employee interaction, culture and organisational climate and so on, in order to carry out an interview and then leave. Such problems could be overcome by using organisational documents or 'occasional behavioural observation' that may lead to 'the formulation of new questions for further interviews' (Burgelman, 1983, p 228, as quoted in Bryman, 1989).

Quantitative research has the tendency to:

> *"present organisational reality as an inert amalgam of facts waiting to be unravelled by an investigator....the job of the researcher is to devise the instruments that will allow these facts to be revealed. In comparison, quantitative studies perceive organisational reality as 'something which people actively devise..."*

(Bryman, 1989, p 141). Qualitative research also has the capability of bringing the researcher closer to the organisation, be it in the shape of observation, interview or other means of investigation. Such proximity is usually denied to quantitative researcher, especially when considering methods such as laboratory experimentation, postal questionnaire surveys and accessing archival data.

5.2.2. Methods of Qualitative Research

Participant observation, unstructured and semi-structured interviewing as well as document examination constitute three major methods of data collection with respect to qualitative research work. It is, however, possible to employ non-participant observation, and structured observation, etc. Each main method will be individually examined.

Participant Observation – since the purpose here is to obtain first hand knowledge of some context (which is no doubt of interest to the researcher), a rather prolonged 'immersion' of the researcher in that context, is to be expected. The task will mainly consist of observing individuals at their place of work carrying out their daily duties. The researcher notes the conversation amongst employees, as well as, their activities. For the purpose of my research such a method would not be regarded as practical or time-effective. Such a method is usually complemented by other measures such as interviewing or document analysis. Due to this, many researchers would rather employ terminology such as 'field research' or 'ethnography', where participant observation has a major part to play. Johnson and Gill (1991, p 93) write:

> *"in ethnography the focus is on the manner in which people interact and collaborate in observable and regular ways. Typically such work has taken long periods of intensive study and immersion in well-defined locality involving direct participation with some of the members of*

the organisation in their activities".

Overall, participant observation provides the researcher with the opportunity of studying organisational behaviour at first hand. This would offer the researcher a behind the scene and away from organisational gloss, PR free insight into the firm. The unstructured nature of such investigation may reveal more about the organisation than had been envisaged at the outset of the observation.

Bryman (1989) offers three major types of participant observer roles, namely covert, full and indirect participant observation. The first category allows the researcher entry into the organisation to carry out their observation without the knowledge of the employees as to their identity. The researcher may appear to be a new employee. The second type, the full participant role entails the researcher to assume a work position but to be known as a researcher by all or most of the workforce. The last category, indirect participant role, sees the researcher as entering and leaving the organisation and moving around, without possessing a formal work position. Covert observation obviates a variety of problems that the other two roles may pose, such as employee awareness of researcher presence and not acting in their usual manner. On the negative side, covert observation may not be regarded as wholly ethical. However, as with any research method there are always pros and cons to consider. It is perhaps worth pointing out that the distinction amongst the three methods is not always easy to make.

Unstructured Interviewing – It is possible to structure interviews to varying degrees. Indeed some interviews may differ from a questionnaire only by the fact that the form is being filled by the researcher rather than the respondent (Marshall, 1997). This is reiterated by Bryman (1989), who writes that there is a considerable difference between interviewing by qualitative researchers and those carrying out surveys. While the former could be unstructured or loosely structured with open ended questions, the latter tends to be structured and containing close-ended questions. The emphasis with qualitative research interviewing techniques is on offering the respondent as much scope and freedom to speak about the research area without the fear of constraints or even marginalisation. At times the respondents may be asked to put themselves in the place of the interviewer. This may be referred to as ethnographic style interviewing that tends to be highly unstructured. Questions such as the following may be put to the respondent by the researcher:

> *'If I want to understand your day to day life what questions ought I ask you?'*
> (Marshall, 1997, p 39).

Johnson and Gill (1991) make a reference to a case of 'partially non-directive' interview techniques where the researchers begin with some ideas of the topics of theoretical importance. However, after introducing themselves they indicated that their main interest was to learn about factory life and whether the organisation could help. As a result interviewees pursued a variety of areas providing researchers with the opportunity of examining issues that initial hunches had indicated might be of importance. This eventually led to relationship building between the parties and a move away from non-directive methods and to focus questions. Apparently non-directive interviewing had implied a cautious approach which in turn had resulted in counter-caution.

It is possible, of course, to use an aide-memoire to guide researchers carrying out unstructured interviews so as to remind them of topics to be covered, offering the interviewees ample opportunity to say what they want to say as well as the manner in which they say it. Apart from that such interviews are not guided by a pre-existing schedule. The interview will normally start by some fairly general questions, gradually leading to the main areas of interest. The interviewee may drift into and away from what they perceive to be areas of interest to the researcher. The interviewer should follow the respondent's drift and ask questions that are of interest to the respondent. The end result may look more like a conversation than a formal question and answer activity. Interviews in such manner are at times contrasted with semi-structured ones that would entail the researcher using a schedule. However, he or she will be mindful of the possible drifting away where the respondent may wish to highlight emerging themes and to reflect on them.

Sutton (1987, p 568, quoted in Bryman, 1989) while investigating organisations approaching the expiry stage of their life-cycle asked question such as:

> *'Now I'd like to ask you about the decision to close the organisation. Please describe how the decision to close the organisation was made. (Prompts: Who participated? How big was the group? Was it secretive? What pressures was the group or individual facing? What information was used? How many different points of view were represented? What were the reasons that the organisation was to be closed?....'*

Overall, if semi-structured interviews are to be used it is possible that the respondent may not be offered the freedom to delve deeply into a theme and provide the information that an unstructured interview could. It does, on the other hand act as a guiding device for the respondent to concentrate on issues initiated by the researcher.

5.2.2.1. Reason for Using Semi-Structured Interviews

Semi- structured interviewing was selected as a method more appropriate to the area of research. Perceptions of green marketing, green issues and how green strategies are formulated and implemented, are bound to vary amongst organisations. This would render structured interviews almost useless. In addition, semi-structured interviews can offer the researcher opportunities to tap into organisational knowledge, perceptions, attitudes, as well as the interesting themes and issues that the researcher may not have considered in advance. The intention was to extract or distil each company's own understanding and perception of green marketing. This was achieved to a large extent following the interviews.

5.2.2.1.1. Possible Problems with Interviews

Selltiz et al (1962, p 583) with respect to interviews refer to the danger of bias creeping into interviews by stating: "interviewers are human beings and not machines" and that their behaviour and manners may influence the respondent. Borg (1981, p 87) elaborates further:

> *" eagerness of the respondent to please the interviewer, a vague antagonism that sometimes arises between the interviewer and respondent, or the tendency of the interviewer to seek out the answers that support his preconceived notions are but few of the factors that may contribute to biasing of data obtained from interviews. These factors are called* response effect *by survey researchers".*

Use of Secondary Sources- Occasionally, documents may form a fundamental part of qualitative research. Sutton (1987) used a variety of documents such as budgets, internal correspondence, market research results, company newsletters and so forth. With green marketing (central and local) governmental guidelines on environmental protection, E.U. directives, organisations' own rules and regulations, ethical codes and the like were examined to some extent. Included in these would be documents relating to internationally known standards such as ISO 14000 series and how organisations comply with them (especially the gap between the official policy and organisational practice). Documents can provide the researcher with the type of information that other means of research could not. It must be pointed out, however, that documents are not normally used singularly, as a means of research. They provide additional information. All of the five organisations taking part in this investigation had document relating to environmental and ethical issues of varying significance and depth. These documents were examined and their contents have been utilised throughout this report wherever appropriate.

In addition, interview questions contained a number of references to models, theories and concepts of ethics and green marketing. This approach enabled the researcher to investigate the applicability of such theories etc. and whether organisations were aware of their existence and applied them to their operations and activities. The literature review for this thesis covered a wide range of secondary material that over a period of almost nine years had been examined. That material was instrumental in preparing and determining interview questions for the two periods of time.

5.3. Choice of Organisations to Investigate

At the time of investigation, the researcher had at least two options:

1. Random selection of perhaps up to 50 (SME type) organisations (including chemical companies) in the UK with the intention of carrying out semi-structured interviews aimed at ascertaining company green practices and related issues. Past experience indicated a disappointing level of response to such requests. Positive response from 5 large companies might have been regarded as adequate enabling the researcher to construct case studies based on such organisations.

However, a major problem with organisational research in comparison with social science research is that it *"entails substantial negotiation to obtain access to firm and their members"*,(Bryman, 1989, p 2).

2. Focus on one large, perhaps multi-national organisation and apply the methodology mentioned above and construct a case study.

There are advantages and disadvantages in both of the options above. Option one would provide a wide spectrum of views, ideologies and strategies vis-à-vis green marketing. However, on the negative side it would entail a large number of contacts with a number of organisations. Time constraints would also imply that such contacts would probably not yield the depth of knowledge that is desired. Matters of validity and reliability must at all times be considered in research work.

Option two has also merits and demerits. The chosen company must be of a size that is capable of offering scope for in depth research. Yin (1989), and Dodge (1995) would favour this, as it is a revelatory case and one that is capable of making a significant contribution to knowledge and theory building. A single organisation is perhaps more capable of offering an in depth analysis. A multi- case approach, on the other hand, can contribute to the breadth of analysis and research.

A single organisation's in depth research could yield far richer data that could not be possible otherwise. Mintzberg (1979 quoted in Dodge, 1995, p 108) supports this view:

> *"What, for example, is wrong with the samples of one....should ask ourselves whether we are better off to have each study 100 organisations, or each study one, giving us in-depth data....But it should not preclude the small sample, which is often superior".*

To some extent, the above choices depended on the response of the organisations that were to be contacted. If, for instance a multinational company were willing to participate in research, then it might have enabled the researcher to pursue option 2. The reason why some researchers into green marketing would not consider option one is that SMEs may not have the luxury of implementing green policies. The counter argument would be that even smaller organisations have to consider green issues with some urgency, if they have not done so already. At the end, option two was selected due to its benefits and practicality. The validity of this approach and the related epistemological matters are discussed below.

5.3.1. Validity of sample size- epistemological issues

Due to the nature of this research a qualitative approach as opposed to a quantitative method was selected. Such an approach provides the appropriate tools of research and analysis for the study into green marketing and its impact on organisations. Early on in the research a number of companies were selected as a pilot scheme in order to ascertain the effectiveness of such a method. The results were fairly optimistic and in consultation with the research supervisors a number of organisations of varying sizes and of various industries were approached for the purpose of carrying out the primary research. There were two main reasons for this choice: firstly that if research concentrated on a number of firms in the same industry since they all are required to comply with the same (or similar) sets of rules and regulations imposed by either central government, the European Union and so forth, no major 'discovery' would be expected. Indeed, some would simply comply and others would go a little further. However, this research was not industry specific and never intended to be one. Secondly, different industries and varying organisation sizes would offer far more in terms of findings and enable the researcher to compare and contrast not only in terms of organisation size, but also the nature of industry. This would also facilitate a form of triangulation.

Further justification for this method would also be related to the selected interpretive approach, emphasising the existence of human mind which is critical in people's interpretation of 'what is going on', i.e. social interaction. Furthermore, it can be said that **epistemology** is distinguishable from ontology in that the former refers to 'how we know what exists' while the latter relates to 'what exists'. The term epistemology, a branch of philosophy, addresses issues concerned with the theory of knowledge. It encompasses questions such as what is knowledge and how it can be obtained (Cole, 2004).

As mentioned above 'knowledge' has been debated and discussed over the centuries with a varying degree of interest by philosophers. *Rationalism* and *empiricism* were two concepts that emerged in the 1600s. Some philosophers supported one or the other while Immanuel Kant (1724-1804) suggested a combination of the two. The early 20th century saw the emergence of more pragmatic approaches such as logical positivism. More recent approaches have included the use of knowledge rather than debating theories about it. *"Rationalism is the view that we can get certainty about the world by using logic and reasoning. Knowledge that we can have in advance of any experience is referred to as a priori knowledge"* (Cole, 2004, p 17). Descartes's famous cogito statement –*Cogito ergo sum*- I think therefore I am, highlights rationalism and underpins a 'necessary truth'. However, it can be argued that prior knowledge is not necessarily truthful or a fact. Indeed Bertrand Russell suggested instead 'there are thoughts' rather than I.

In contrast to rationalism, empiricism suggests that experience is the major source of knowledge, i.e. a posteriori. Reason, it is also suggested is derived from individual's experience of the world and his use of the five senses and so forth. Although empiricists do not deny a priori knowledge, they do question its usefulness and whether it relates to reality. As mentioned earlier Kant attempted to bring the two sides together by stating that there existed an aspect of logical necessity in relations of matters of fact. Facts were regarded as facts, however, he said since they were only apprehended "*because we ordered our sensations in accordance with a priori intuitions of space and time and then subsumed the subjective experiences produced under innate a priori concepts. Thus we constructed a world of phenomena which necessarily behaved in a manner determined by those intuitions and concepts*" (Trusted, 1997, p 258). Kant therefore, believed that any claim in knowledge presupposes a framework of assumptions unable to be justified by logical demonstration or observation.

This thesis is an interpretative report of the author's knowledge gained from the review of the literature and complemented by primary research findings. Although only a small sample size was used for this purpose, the interviews were carried out on three separate occasions with considerable time gaps. The author does not claim to tell the truth, indeed, is there such a thing as 'truth'? Furthermore, this has not been a purely scientific and quantitative research, but a social science investigation which has scientific underpinnings. The result is the author's interpretation with no claim to truth or highlighting facts.

5.3.2. Selection of interviewees

Throughout correspondence with the organisations in question the intention was always to interview the marketing director. Unfortunately this was not always possible for a variety of reasons. This in fact was perhaps a blessing in disguise as the view points of non-marketing directors involved with green marketing were sought and examined where the fields of activities and operations went beyond marketing. For the holistic application of green policies to an organisation, a multi-disciplinary approach would be deemed as more effective. However, apart from the Co-operative Bank, all participating organisations offered individuals at directorate or similar level for the purpose of interviews. The Bank due to its long history and ethical credentials perhaps felt confident to offer a young executive who 'dealt with ethical matters'. All the participants were in a position of power to influence major ethical/green policy making within their organisations. A set of questions was despatched to the interviewees in advance so as to allow them sufficient time for preparation. Interviews were semi-structured in nature lasting on average about an hour (in one or two cases considerably longer). This enabled the researcher not only to obtain answers to the questions posed but also receive additional information that resulted from discussions surrounding those questions. Interviews were tape recorded with the prior permission of the organisations.

5.4. Research Limitations – in order to compare and contrast the impact of green marketing on organisations fifty companies mainly in the cosmetics and chemicals sectors (due to the sensitive nature of industry) as well as the utility sector (equally sensitive in nature) were contacted with a view to interview the key personnel. The author decided to also include the Co-operative Bank as a so called ethical/green champion. Consequently five organisation agrred to participate in interviews by late 1999. They were Yorkshire Water, GWP Chemicals (a small chemicals company), the Co-operative Bank, Pease (drum recycling and reconditioning firm), and Clariant (previously known as Sandoz). Amongst the firms contacted initially, was the Body Shop who indicated that due to restructuring and since their Ethical Audit manager has now become an academic, it could not oblige. Many could not spare the time, or did not find the topic of relevance or indeed, enquired whether such a favour was reciprocal. The carrying out of semi-structured interviews was a time consuming task. At the time of writing up the thesis in 2003-2005, it seemed appropriate and indeed necessary to update the primary research. This entailed interviewing Clariant, Yorkshire Water and Provident Financial in 2003. Yorkshire Water, the Co-operative Bank and an additional company, Suma Wholefoods were contacted in October 2005 to obtain fresh information. The intention was, as well as updating the data, to compare notes with 1999, 2003 and contrast organisations' ethical/green behaviour, policies and so forth, a valuable means of triangulation.

Primarily the methodological routes available to the researcher as well as their evaluation and criteria to be adopted will be discussed. The development of procedure and fine-tuning of available measuring devices will also be considered. It is hoped that data collection instruments, response rate and characteristics will be taken into account.

5.5. Other Research Perspectives

Marshall (1997) writes that '*research methods can be categorised in terms of experimentation, quasi-experimentation, surveys and observation*' (p 50). Social science research strategies, however, according to Yin (1989, cited in Dodge, 1995) could include case studies, experiments, surveys histories and archival information analysis. Indeed some research is based mainly on secondary research and the interpretation of existing material. This would give the thesis the impression of being an extended review of the literature. Furthermore, the study of topical issues as included in this report requires fresh and current information and data that can perhaps be obtained through primary research complemented by an in depth and up to date literature review. The researcher intended to find out why and how organisations go green. There is a link here with that and Yin's (1989) question form, "How".

A number of designs exist within these categories. As for benefits of experimentation, one is that it can be employed for the purposes of examining causality, second being that the findings tend to have high internal validity. However, its major disadvantage is that the findings have low external validity. Surveys on the other hand tend to have high external validity as an advantage while their findings suffer from low internal validity. Observation as a methodology has many uses and advantages such as reduced testing effects. However, observational methodology could have demerits such as low reliability and validity. It is also possible that *"observers may miss subjective meanings of behaviour"* (Marshall, 1997 p 51).

5.6. Research Focus

It was intended to conduct the research from an internal management and employee viewpoint since organisational green marketing strategies, their major drivers and so on, have been at the heart of this research. This was achieved to a large extent. It was further hoped that research findings would be based on management and employee perceptions and their actions/reactions to green marketing. This too materialised and will be discussed in appropriate chapters. Earlier research in a similar field (Pujari, 1996) found that the internal focus was appropriate since it was management's perceptions of the force(s) that resulted in their response and not the actual external force(s). Such research project would not require establishing a causal relationship, due to its nature. It would attempt to, initially, test and analyse the descriptive and explanatory hypotheses. It was hoped that a picture of an 'association' would eventually emerge which would reflect description building, explanations and analysis. Overall, the analysis would not be a longitudinal one, but one that is cross-sectional in nature, referring to a particular period of time in the life of an organisation, or a number of companies. Furthermore, this project did not intend to deal with a change management programme, rather how greening issues were tackled by organisations.

5.6.1. Evaluation of a Case Study Approach

According to Yin (1989 as cited in Dodge, 1995) case studies can be holistic or embedded, in terms of design. A holistic case study would focus on the global nature of the environmental strategy only analysed at an abstract level, in practice only a single unit of analysis. This research could be classified as an embedded case since environmental/greening strategies could be researched from the perspectives of many sub-units of analysis encompassing internal and external stimuli. This in turn can lead to analysis embedded deeply within organisations and with various descriptive factors (Dodge, 1995).

Since the area of research was relatively new (at the time of the first round of interviews), lacking considerable research, then it seemed as an appropriate method to utilise in order to accommodate development of insights into the field. Existing perspectives may not offer empirical substantiation. Also issues may be of a sensitive, emotional or complex nature (Eisenhardt, 1989; Yin, 1989; Sykes, 1990). Persuasive argument has been offered by a number of researchers vis-à-vis the epistemological potential of case studies 'enquiry from the inside' in research relating to marketing (Bonoma, 1985; Crane, 1997), business ethics (Jackall, 1988; Brigley, 1995), and organisational greening (Drumwright, 1994; Fineman, 1996) given the possibility to achieve up to date and more in depth comprehension of research area. Furthermore, it could be argued that qualitative data collection methods are regarded as the most frequently used in social research due to their relative ease for the purpose of information gathering in an informal manner. However, there are suggestions by some authors that both quantitative and qualitative methods could be employed to provide a wider perspective to the subject under investigation (Hofstede, 1980; Fielding and Fielding, 1986). This does not mean in any sense that distinctions between a positivist approach and the social construct model (to provide us with the 'whys') are not apparent at the philosophical level (Burrel and Morgan, 1979).

The use of more than one case study accommodated triangulation, comparison of special features and 'generalisability' (Bryman, 1989). Case studies also tend to emphasise context and the researcher's involvement over a period of time can facilitate analysis of events and processes or policy impact examination. It must be pointed out that no single case study could represent a wider population. However, "*within multiple case studies a continuous attempt to increase the range of types of organisation investigated may mitigate this point somehow*" (Bryman, 1989, p 172). Findings based on case studies aim to engender patterns and linkages of theoretical importance. Furthermore, they can be employed in an exploratory manner to gain insights into areas not researcher previously. They can be employed to test theories and models, as was the case with this study. Case studies are also capable of confirming or rejecting findings from other studies. Finally case studies can, in addition, can combine quantitative and qualitative research.

Amongst the problems associated with case studies is the accusation of limited generalisability. This may be due to an erroneous application of statistical notions that treats the case as a sample of one. Yin (1979) has also warned of the 'replication logic' when cases are based on a number of different sites. However, when a number of investigators is involved the replication accusation does not seem to be taken seriously. Results of case studies tend to be extremely difficult to interpret. Multiple case studies help to alleviate such difficulties.

5.6.2. Use of Case Studies

A number of case studies based on a variety of companies, as indicated earlier, were used with a view to examining whether they practised green marketing in any shape or form and to investigate how green marketing strategies came into existence, i.e. the identification of green marketing driver(s) for individual organisations. Furthermore, how green marketing was actually interpreted by individual companies, established, legitimated and subsequently integrated within the organisation, where applicable. Concepts such as triple bottom line, corporate social responsibility, and organisational balanced scorecard were tested. Material from the literature review was also used to illicit response from participants during the 2003 and 2005 interviews to a certain degree of success.

As indicated earlier interviews were carried out as planned with five organisations from different industries in late 1999. At every interview a senior member of the organisation, i.e. board level was present. The questions had been sent to the interviewee in advance not only out of courtesy but also to enable them to prepare the response and invariably supplement it with documentary evidence such as company reports and so forth. This also facilitated data related triangulation. Follow up interviews with two major participants, Yorkshire Water and Clariant, were carried out in early 2003 to compare notes with the earlier interviews. The Co-operative Bank and Yorkshire Water were again contacted in 2005. Secondary research was employed to prepare case studies of Green and Black's chocolate company, Argent Energy and Lush Cosmetics. Moreover, primary research and secondary research was used to build a case study around Suma wholefoods co-operative. This would facilitate comparisons with a much larger co-operative, i.e. the Co-op Bank.

The main reason why the others were not contacted was the shortage of time and also the fact that Pease Drum Recycling no longer exists, and the Co-operative Bank's ethical credentials seem so impeccable that further scrutiny did not seem worthwhile. The second set of interviews would have enabled the researcher to apply time-based triangulation. In addition, Provident Financial who had not responded to the earlier request participated in the 2003 interviews. The results of interviews provided a wealth of information and knowledge that have been incorporated in the following chapters. Amongst which were the identification of major green marketing drivers, companies' current and future green strategies as well as issues such as cost benefit analysis vis-à-vis green marketing policy implementations. In addition the interviews enabled the researcher to construct case studies around individual organisations. Case studies were also built around non-participating companies for comparison purposes. The latter were based on mainly secondary research that lack the impact of primary data obtained via interviews nonetheless contribute to knowledge.

The initial perception was that green marketing is most certainly practised by most of not all of them in some shape or form and under various titles ranging from health, safety and the environment, to environmental protection and concern for the environment. The findings have been disseminated throughout the ensuing chapters in order to link with various themes and issues pertaining to green marketing. Every organisation that participated in this research has been analysed and investigated in a chapter.

Chapter Six

Findings on Companies Legally Obliged to be Green

Introduction

This chapter will examine the cases of organisations that are legally bound to be green and were amongst those that participated in primary research for this thesis. The companies concerned are Pease Drum Recycling Company, and Yorkshire Water. The former took part in an interview carried out in 1999 and the latter in two sets of interviews in 1999 and 2003. Attempts at the second interview with Pease in 2003 were not successful.

The chapter will investigate the extent of the above organisations' commitment to green policies and their implementation. Furthermore, the organisations' perceptions of themselves vis-à-vis green-ness and whether this is only in response to compliance with legislation. In addition, does organisational greening with respect to Pease and Yorkshire Water attempt to make a virtue out of necessity? Finally, would either of these companies have pursued green policies if there had been no commercial value and/or no legal requirement?

6.1. Pease Drum and Tank Recycling

6.1.1. Background

The company originally named Ravell Drum Works (called Ravell Cooperage earlier) started life by repairing and making wooden barrels in the 1940s. It has always believed in a link between environmental efficiency and commercial efficiency. It is involved in cleaning and recycling drums and tanks that may contain material ranging from chemicals to foods and cosmetics. It is based on a small site in an industrial estate outside Leeds. Pease was the very first re-conditioner in the UK to do *'what they do'.* At the time of the interview with the Managing Director of the organisation, it was a family business which a few years later was taken over by a larger European concern.

6.1.2. Findings

It can be argued that the nature of such a business dictates it to be green and undoubtedly legislation is a driving force in its greening, a point that was highlighted by the company MD who stated *"that regulations are driving our industry".* The impact of legislation was very significant, and the Environment Protection Act, 1990 was amongst the most influential and perhaps problematic pieces of legislation for the company. However, there were problems associated with the implementation of the company's green policies due to excessive bureaucracy and red tape. However, the MD asserted that it was no longer UK legislation that controlled their activities, the EU directives *'...are another (factor) driving our industry, but could destroy it'.* However, the EU regulations posed another dilemma that of interpretation. The MD explained this as follows:

> *"Well there is on the face of it a wonderful piece of EU legislation on producer responsibility packaging waste. It means that each country in the EU must recycle a percentage of packaging produced. This year (i.e. 1999), it's the responsibility of all companies with a turn over of £2millions. Unfortunately, the definitions of what is recycling are a great problem. Recycling through destruction, shredding, and reprocessing of steel and so on. Recycling is defined as melting. You melt the steel to make more steel. You melt plastic, you melt glass...".*

However, some pharmaceutical companies may not wish to recycle their packaging and want it to be destroyed. That would be deemed as recycling since for certain reasons they may not be able to reuse it. Boots the chemist, was quoted as one organisation that insists on higher product standards that would require new packaging rather than the green alternative, the recycled packaging. Food producers too may find it less practical to employ recycled packaging. Those companies packaging may still be cleaned by Pease and reused for other purposes. This is not a legal requirement but one that makes environmental (and perhaps economic) sense. The EU directives on packaging waste provide two alternatives: destruction or re-use, overlooking the possibility that the packaging can be reconditioned, as pointed out by Pease' MD. He explains this below:

> *"We have a situation where reconditioning to enable it for use by another company is a wonderful thing to do. And yet the rules and regulations don't allow customers to use that as part of meeting their obligations. So that's where the regulations work against us...destructive recycling is an option. But it's way down the scale of environmental efficiency ".*

One further problem that the MD referred to was that it was still cheaper to dispose than to recycle. He admitted that '*no matter how good you are, reconditioned drums are never going to be as good as new*'. However, since the United Nations controls all the recommendations on dangerous goods packaging worldwide this can enable companies such as Pease to obtain UN standard re-certification for its recycled reconditioned steel and plastic drums. But since drums have a limited lifecycle, how much recycling can be done by Pease? The MD replied that a steel drum could be reused 5-6 times, while plastic drums have a life span of 5 years on average. He also referred to the high (not just financial) cost of discarding of drums that would entail cleaning, drying, shredding and/or crushing, transporting to a scrap merchant and so forth.

So how green did the company perceive itself to be? It did not wish the 'green' tag attached to it. It viewed itself as 'environmentally efficient'. As for competition, it was encountered from two different sides: land-filling ('*businesses could landfill everything and make a lot more profit*') and unscrupulous operators that tend to ignore the basic environmental requirements for cleaning, and recycling of drums (thus undercutting Pease). Fortunately the company has a number of large organisations with which it deals on a regular basis such as Du Pont, Faberge and Glaxo Wellcome. The MD refers to these as *"big companies with a conscience and an eye on their corporate image and responsibility"*. The researcher had expected some degree of co-operation between Pease and pressure groups (which was the case with certain other organisations participating in this research).

However, no such alliance existed and although the MD believed those bodies to be 'useful', and should its efforts at obtaining better response from 'proper channels' (i.e. the government and the Environment Agency) fail, then Friends of the Earth and/or Greenpeace would be contacted. The company would seek *"higher profiles, media, pressure groups and so on".* Currently though pressure groups have no influence on its operations.

A business such as Pease would perhaps rely on technology to assist it with its reconditioning and recycling operations. Although it had developed its own processors and systems, it admitted that better technology could certainly contribute to its green activities. At present its technology was fairly basic. Customer pressure since the imposition of the 1990 Environment Act had increased, according to the company MD:

> *"Customers suddenly thought well if you are taking away drums to be reconditioned, why don't you also take away the drums that aren't really reconditonable and clean them anyway and send them for recycling? They also said if*

you're taking drums away we ought to see what you're doing with them".

Legislation placed the onus on the company (and the customers, in a business to business setting) to be more responsible and environmentally concerned. Thus began customer auditing of the business and the MD remarks that:

> *" they started to make comments and recommendations...don't you think you should stop that machine having a leak? Suddenly the way we were, the image, the processes, everything became an important consideration. This was important to us".*

Compliance with legislation and customer requirement to some extent resulted in the erection of a purpose built factory in 1994.

> *"The building is fully bonded, it's captive, it literally is green. The old place couldn't meet the standards. It didn't have the image either. We have a visit from a customer at least once a week and we get audited at least once a month by customers. Image is very important".*

In addition the company has written environmental protection policies a copy of which was given to the researcher.

However, asked whether it complied with the ISO 14000 series that are specific to environmental protection, the response was negative. This came as something of a surprise for a business such as Pease. It had adhered to ISO 9002 since 1991, but had 'resisted ISO 14000 since the company apparently practised it anyway. The MD did not see a great deal of merit in such standards. After all they only related to consistency in a company's operations, according to him.

> *"The systems are in. I don't like quality assurance terminology for ISO 9000. If we sold drums full of rusty holes as long as they were consistent amount and size of rusty holes...".*

In spite of that remark, the entire company follows the ISO 9000 guidelines since its operations are environmental it works to ISO 14000 too.

However, a major paradigm shift could be noted by the MD in his industry and that of customers. Part of this shift was due to the increasing impact of environmental legislation.

> *"What's happening now is that more and more is being recycled. But that's legislation for you, again. Companies that used to throw away their small or intermediate size package in the skip are saying: oh we're not allowed to do that. Can you do something with it?"*

The company believes that it collects almost 70% of the drums that are to be treated. The rest is transported by the customers. The reason for collecting the drums is that it can control what it is collecting, i.e. the condition of the drum as well as the amount of material left inside. The onus is placed on the customers, says the MD. In a business- to-business setting mutual respect is required.

> *" Yes we will teach the customer too and help them recognise where they've got a problem. They might have a wonderful work ethic in the management of the company but*

if the man on the shop floor isn't emptying the drums because it's Friday afternoon then they ought to know. "

Perhaps one environmental concern that emerged following the interview was the fact that the company uses incinerators to dispose of waste (not on the Leeds site). However, the incinerators used in Stockton happen to be of a waste to energy design. "*It's a wonderful facility that scrubs off any fumes, recycles any left over materials, burns everything, turning it into energy for Stockton".* The company also collects rainwater and uses it for cleaning processing of drums. The drum wash effluent is collected by Yorkshire Water for treatment purposes. As such there is no discharges to mains, according to the MD.

In order to remain efficient and green regular inspections would be required. The company carries out a weekly internal audit overseen either by the MD or other directors, consisting of quality, waste treatment, health and safety and the equipment performance. Areas of concern are then dealt with immediately. In addition inspection and external audits are carried out by Groundwork Environmental Services. Furthermore, the Environment Agency pays regular visits to the company in order to inspect quality, safety and the environmental issues. When enquired about the strong odour upon approaching the company's entrance, the MD first said that he was unaware of it and then that it is really dependent on what the business is bringing in.

"We bring in everything from fruit juices, fruit products through all pharmaceutical ranges...the smells on site are to do what the nature of the business".

Since Pease operates in an industrial estate it could be assumed that there would be no complaints from residents. Odour reduction was not a priority for the company as it posed no real environmental harm, according to the MD. The emphasis was on improving processors, reduction of impact on the environment, lesser energy usage, and cleaning processing. As far as land pollution was concerned (considering the company's background and activities), having bored down 10 metres, no traces were found. The company keeps its solid waste (not suitable for 'waste to energy purposes') to a minimum for land-filling. The intention is to recycle as much as possible.

When enquired as to what stage of lifecycle the company's environmental efficiency activities would be, the MD considered it to be three quarters of its way through maturity. This also applied to the industry as a whole, he suggested. The future direction of companies such as Pease was in higher levels of co-operation with manufacturers. Indeed, Pease had been sold to a major European drum and tank manufacturer already. *"I think more manufacturers will buy into our expertise and our industry. It's happening across Europe and across the world. The manufacturers of the packaging are also buying the recycling companies".* This trend is not entirely driven by financial gains, legislation is requiring higher standards from businesses in relation to the environment. Rather than spending large sums on training staff and buying into expertise and so forth, some companies purchase an existing and well-established practising re-conditioner, recycler.

In response to what major environmental strategies the company had planned for the future, it was pointed out that £2millions was to be invested in the world's best intermediate, i.e. 1000 litre bulk container next year (year 2000). The factory will be built on the same company ethic, 3 levels of bonding: bonding on the wash, bonding the factory, and bonding on the outside. It will capture rainwater. Since the company had been sold, the new owners could possibly have further environmental policies. (Unfortunately, in 2003 they declined an interview so that comparisons could have been made with 1999).

How does being environmentally concerned help Pease? Was it increased revenue, better corporate image or some other benefit? The answer was a combination of enhanced image and higher income. Corporate image was considered by the MD to be critical. It was in its interest to show what it did and promote that image. Image did not used to be important in the past. The company stated that it goes beyond mere compliance with legislation and its recent tree planting and landscaping bore witness to that. The MD further said that *"there's a new understanding that nature isn't something we work against. It's something we need to be with and protect".* As for the future of reconditioning and recycling, the MD saw Europe as the enlightened continent while the United States companies have vetoed such operations on commercial grounds. Overall they tend to be against reconditioning.

Asked how much mileage is left in environmental/green marketing, the MD believed that large numbers of companies have taken the environment as a marketing tool. He used the example of household detergents that are strongly marketed and advertised as being biodegradable. However, they have to be biodegradable by law, he asserted:

> *"...We're dealing with a public that at the moment accept face values...What will happen is that marketing will grow but the public won't accept it as reality...they will want proof that you're green...the marketing will continue but will have to be more honest* and transparent".

That consumer cynicism and suspicion has materialised since that interview in 1999. The MD agreed that companies that claim to be green are increasingly under the spotlight to maintain that image while others may continue with their environmentally harmful activities as long as they remain within the law.

6.1.3. Conclusion

In conclusion, the case of Pease illustrates how organisations that are required by legislation to be green operate and in this case go beyond mere compliance. It was due to the MD's firm belief in environmentalism that acted as the major catalyst in this case. This type of senior management green espousal was evidently trickling down the managerial hierarchy right down to the shop floor. The importance of senior management determination and dedication to green marketing in order to introduce and implement such strategies has been emphasised in earlier chapters and by a wide variety of authors. However, recent research by Rutherford et al (2000) reports of a relative lack of engagement with the environmental agenda by owners of SMEs. Hillary (2000, p 18) paints a fairly pessimistic picture:

> *" ...ignorant of (their) environmental impacts...oblivious of the importance of sustainability...cynical of the benefits of self-regulation (and) difficult to reach, mobilise or engage in any improvements to do with the environment".*

As far as its green-ness was concerned, the company would be on the green partner rung of the ladder of green-ness since it worked in close partnership with other businesses that happened to be its clients. It could be argued that to a small extent Pease made a virtue out of necessity to be green but did not publicise it heavily. Would the company pursue green policies if they had no commercial value and were not a legal requirement? It was pointed out that making profits was required to keep the company going and that it was the nature of the business that made it green. However, on numerous occasions, it was also explained that legislation was making an increasingly large impact on the business. Legislation and the business nature made it green and this green-ness contributed to its corporate image that perhaps indirectly led to increased revenue as well as non- monetary gains such as enhanced reputation within the industry.

During the primary research only one company (GWP Chemicals) admitted to simply adhering to legislative requirements in order to remain legal. This is one example of what Hillary (2000) was referring to earlier with respect to SMEs and environmentalism. However, research carried out by Bayliss et al (1998) found that despite a lukewarm response form manufacturing SMEs in South Wales and Humberside, the sectoral context was crucial for an understanding of the firm's responses to environmental issues. The researchers identified 'lead' (e.g. chemical, electronic industries) and 'laggard' (e.g. metal and metal processing industries) which went some way to explaining organisations' attitudes and orientation to environmental issues. That deduction seems to be at variance with GWP's orientation as a chemical company as it stated that only for commercial gains would it venture beyond the basic legal guidelines. All the other participants suggested that their green efforts went far beyond compliance and the reason was not financial gains alone, although that certainly helped.

The next organisation in this category is Yorkshire Water that participated in interviews in 1999 and 2003 and completed a questionnaire in 2005 in relation to its ethical and/or environmental issues in a rather half- hearted manner and after a lengthy wait.

6.2. Yorkshire Water

6.2.1. Background

Yorkshire Water (YW) is the main subsidiary of the Kelda Group Plc which came into existence following the 1989 privatisation of the water industry. However, Yorkshire Water was originally formed in 1975. The group employs over 3000 people, and YW supplies 1.7 million households and 140,000 businesses totalling 1.3 billion litres of water, operating under OFWAT regulations. The period mid to late 1990s witnessed the acquisition of a range of environmental service companies as part of the group's diversification strategy. In 1998, YW sold its Yorkshire based waste company to waste Recycling Group Plc (WRG) and gains a 46% stake in WRG in return. In 1999 Yorkshire Water Plc altered its name to Kelda Group Plc following a special resolution passed on 3rd August of the same year. In January 2000 Kelda acquired the US water utility Aquarion.

In April 2000, the Board announced a wide- ranging review of company strategy and group structure. As a result the focus was shifted on water and waste water operations and the disposal of its interests in environmental service and renewable energy businesses. Although the heightened focus on water and waste water operations was to be commended, the shift away from environmental and alternative energy generation might be viewed by some as at variance with the company's much publicised environmental efforts.

According to Corporate Watch (2000) in June 2000 Kelda announced its decision to separate its ownership of the assets (infrastructure, pipes and land) from the daily operational activities. The assets worth £1 billion which were given free to the company at the time of privatisation, would be sold to YW customers. This would then create a Registered Community Asset Mutual (RCAM) in the UK. The banks would finance the deal and after restructuring the company, RCAM would be in control of the assets purchasing operating services for water and sewage provision from competing contractors. The board of the RCAM would be composed of three Kelda representatives and two customer elected appointees. This would create an unhealthy and perhaps unethical relationship between the mutual and service provider who happens to be Kelda.

For the first three to five years, Yorkshire Water Services (i.e. Kelda) would be the sole provider of such services and would not comply with OFWAT regulations (www.open.gov.uk/ofwat/kelda/.html/). This at first glance would imply that since privatisation the water supply means would be in public ownership. However, Kelda's perceived transparency had a catch. The company rightly stated that shareholders would benefit greatly from the sale and that real competition would be introduced for the first time. The plan required the transfer of £1.4 billion of debt accumulated by management since privatisation. Furthermore, Kelda failed to substantiate any possible advantages to customers and the environment, if the plans were to proceed.

It is debatable whether contacting out of operating services in the market place would benefit customers. Other utility industries' experience does not bode well. *"Competitive tendering usually encourages cost reduction, corruption and responsibility dodging*". www.corporatewatch.org

The Environment Agency responded to Kelda's plans by stating that "*Kelda's proposal offers nothing for the environment…it could actually increase risk"* www.environment-agency.gov.uk/modules/mod44.2311.html

Since YW's remit covers environmental accidents and water quality, then confusion over responsibility would hinder prosecutions for causing environmental harm. OFWAT acknowledged the problems associated with Kelda's plan and criticised the company in the public announcement of the decision to prevent changes.

In 2001 the company strategic review led to the disposal of Alcontrol, White Rose Environmental and Kelda's interests in the White Rose Centre. The company also sold its interests in renewable energy business. The acquisition of the US based Aquarian completed the purchase of five American Water Works subsidiaries. This acquisition increased the size of Kelda's US interests by almost 50%. In December 2002, a YW and Brey utilities led consortium is announced as the preferred bidder for a major contract to run water and waste water operations for the Ministry of Defence.

In 2003 Kelda sold its stake in WRG to Terra Firma. The following year YW submitted its ultimate business plan for prices which were approved by the regulatory body and came into operation as from April 2005.

Over the last two years or so YW has achieved three national awards for the improvements in its customer service delivery. Currently the company ranks fourth in OFWAT's Overall Performance Assessment that compares the levels of operational and customer service provided by the UK's ten major water and sewerage organisations. According to the national surveys carried out by the independent trade organisation, the Energy Information Centre, relating to customer satisfaction, YW has beaten the competitors for the past three consecutive years.

Current customer satisfaction levels are consistently around 90%, according to the Kelda Group website. The company's Integrated Customer and Operations Management (ICOM) reports a 25% decrease in customer call volumes, repeat customer calls are down by 10% and 90% of appointments offered within a two hour time band have been met.

An external review by Trinity House a renowned management consultancy firm supports the effectiveness of YW's ICOM implementation. The company website states that Trinity House believes ICOM 'has delivered a world class system that enables YW to achieve step change improvements in business performance and customer experience'.

http://www.lekadgroup.com

However, YW's history has not always been glorified by achievements, winning awards and accolades. It will perhaps be always remembered for the way that it handled the much publicised drought of the summer of 1995. At least one commentator stated that

> "YW bec*ame probably the most despised of the privatised utility companies in the UK. After the humiliation of its leaky pipes and 'fat cat' tag the company sneakily changed its name to Kelda in 1998, presumably in the hope that Yorkshire customers had short memories".*
> www.corporatewatch.org.uk/magazine/issue12/cw12w2.html

In July of 1995 almost 500,000 people were affected by the hosepipe ban in West Yorkshire due to the drought. The road tankering alone cost the company £47 million. '*A crisis waiting to happen'* was Professor Uff's verdict on the failure of the water supply system in Yorkshire in 1995. His report, undertaken on behalf of YW, was based on the result of evidence taken in the first four months of that year. The main criticisms of the report were that:

- there was insufficient margin of resources and demand

- there was no overall emergency plan
- there was a serious breakdown in relations between the company and it customers

According to the Environment Agency, the crisis was born in the demand forecasts of the 1990s culminating in the one produced for the Strategic Business Plan in 1994. This indicated a sharp decline driven by lower leakage targets and reduced industrial demand. The company realised belatedly that water demand and leakage levels were still on the increase as opposed to going down. As a result there was insufficient time to cover the shortfall. Professor Uff's report emphasised the distinction between leakage forecasts and targets. The hot and dry summer conditions simply compounded the situation. Perhaps coincidentally, the 1994/5 actual figure for leakage at 37% of total supply was the same as figure for the water supplied to domestic customers. www.environmentagency.gov.uk

Kevin Bond the then new MD of YW welcomed the report, however, there was no sign of any immediacy in his response to implementing the report's recommendations which included the following:

- appoint a director in charge of leakage
- compulsorily meter sprinkler users
- compensate local authorities and businesses adequately
- set up a joint campaign with the Environment Agency to promote a range of practical water conservation measures

According to the Environment Agency, Kevin Bond dealt with the standards of service issues rather firmly in his press conferences stating that:

" *We need to have a water supply system able to withstand a weather eventuality of (1995's) severity...This is a new standard and which puts us ahead of much of the water industry".* He further stated that:

> *"The standards the water industry should plan is of national importance, and is the only significant part of the water cycle which is not governed by Government standards. We will continue to urge the Secretary of State to provide clarity".*

What he omitted to say was what would happen if the Government declined or whether other companies were lobbying for such standards.

However, over the years partly due to the legislative pressures and the nature of industry, as well as other factors the firm has maintained a reasonably acceptable stance. For instance, the company states that since 1995 it has succeeded in reducing leakages by 45% which happens to be higher than OFWAT targets. In addition, Kelda achieved 'Premier League' status in Business in the Environment's National index of Corporate Environmental Engagement 2004, for the third consecutive year. Yorkshire Water was named the National Green Champion at the Green Apple Environment Awards 2004. YW further received a bronze award for the work undertaken to obtain its ISO 14001. External auditors SGS recommended YW to receive the International Environmental Standards ISO 14001 on a company wide scale in 2004.

On a similar theme Yorkshire Water's CSR and Environment Report refers to its four Environmental Performance Vision Statements:

- We achieve 100% compliance with legal and regulatory obligations
- We go beyond compliance *when we believe the benefit exceeds the cost*
- We proactively conserve and enhance the environment
- We enjoy a constructive relationship with our regulators and stakeholders

www.keldagroup.com

The first statement has been amply explained in the quote below:

> *"The water industry is probably the most heavily regulated sector in the whole of the UK economy. The amount of regulatory laws that we have to deal with is enormous. I'm not saying that the regulation burden needs to change necessarily, but it's an enormous barrier and costs billions of pounds. That money could be spent on other projects."*

The above statement was made by the Director of Health, Safety and the Environment of YW in 2003 and highlights the impact of legislation on the company. Naturally, utility providers such as YW should practise green policies as to do otherwise would not only be deemed illegal but also out of character for the water industry. This point was reiterated by

Yorkshire Water's representative in 2005. YW happens to be the largest landowner in Yorkshire, in addition to water extraction from rivers for drinking water purposes, it also discharges sewage into rivers and operates four of the largest incinerators in the county.

The second statement highlights the cost benefit approach to environmentalism, i.e. if the benefits overweigh the costs then the company will go beyond compliance, other wise it will only venture as far as strict compliance.

The third statement is one that has been under investigation and the following section offers further elaboration. The final statement too is discussed in this chapter.

6.2.2. Findings

> *"Responsibility for the environment is part of our high level vision, it is championed at board level, downwards. Environmental policies are implemented at all levels. Environmental targets are built into the business plan and policies are displayed at every site and employees are expected to know how it (sic) relates to their role. "*
> Yorkshire Water, November 2005

With respect to YW's green policies, in addition to being in the business of 'drinking water, it has also been involved with First Renewables, i.e. a renewable energy business. It was pointed out during both interviews that YW would fall apart if it did not act in an environmentally responsible manner. The *'whole of the business was fundamentally dependent on the environment one way or another'.* The company detected a legislative cycle:" *the legislation is there and you have to abide by it".* The company finds it 'business beneficial' to go beyond compliance with the law. In 1993 it had a programme entitled 'Beyond Compliance' that had sustainability on the agenda which according to the Director of health, safety and the environment, was not a legal requirement. Even in the days prior to the industry related legislation, the company had to act green as it was (and still is) dealing with public health. YW saw itself as the custodian of the environment. Part of going beyond compliance is related to rising customer expectations and also being in the public eye as the provider of drinking water. Drinking water quality across the UK was 99.8% compliant with standards while YW scored 99.86% stating that the 0.14% failure was due to either Manganese or Aluminium neither of which had any health implications (sic).

> *" ...I could give you one example that we at YW do that no other public sector or ex-public sector (company) would do. We have a project called 'leader' which looks at the prioritisation of investment based on risk on customers and also what customers want us to do. A wide group of customer s are polled to benchmark and value in an economic sense different kinds of things we could improve in the environment..."*

The above statement indicates the levels of consultation that the company enters into with its wide array of customers concerning its environmental investment that may go beyond compliance. Both directors said that a good manager that manages well from a fiscal point of view will also manage it from an environmental (and ethical) perspective. The researcher pointed out that since major decision makers on the directorate level within YW, do not always stay with the company for a long period of time, how is their departure going to impact on the environmental policies espoused by those directors? The health, safety and the environment director replied that most of the current directors had been working for YW for last than 5 years. He agreed that director turn over or movement within the company is fairly high and said that *" they don't necessarily take the long term view, that is going to be company specific".* However, he tried to rectify the situation by stating that:

> *" YW's outlook on environmental and ethical issues are OK. It has developed since we became a private company in the last 12 years or so. But over the last 5 years those views have changed substantially and we manage knowledge and data much better. This makes the decision making within YW much more transparent. There are higher levels of ownership throughout the entire company in terms of environmental issues."*

However, this implied short termist approach by YW's directors does not create a feeling of optimism nor indicate any long term vision of the organisation.

The company strives to be the best water company in the UK and for that to be achieved higher than compliance standards are required. It insists that it spends more on cleaning up the environment and water than any other company in the region. For a water supplier surely this is a basic requirement. Furthermore, this cleaning up process comes at a cost to consumers and it is not as if the company is being magnanimous in any shape or form. The Kelda Group has won permission to raise water charges by 18% over the next 5 years. The Group CE denied that the company was pleasing shareholders at the expense of its customers and argued that price rises were required to party for higher tax and environmental liabilities (Macalister, 2005).

The company states that it is proud of its water quality and the improvements over the last 5 years or so and regards it as a continuous process. Furthermore, its rivers have been transformed in bio-diversity terms and the discovery of a variety of fish that had long disappeared, it suggests is indicative of YW's environmental efforts. Its green efforts also cover landlord rehabilitation within the mining industry and contribute to a number of socially responsible projects in the region. The company does not clearly provide a demarcation line between compliance and beyond compliance. This makes the job of ascertaining whether a number of operations and activities actually do go beyond compliance.

At the 2003 interview it was suggested that although the Board of Directors signs off the company's environmental policies, in reality the middle managers author them.

> *"I wouldn't want you to think that our directors spend much time in the practicalities of authorship. They are there to make judgments and lead the business, not actually the day to day running of things..".*

Although one could appreciate the limited amount of time the directors spend on YW's environmental policies, almost every textbook stipulates the importance of senior management commitment to such policies to ensure success. Is signing off an indication of YW's board of directors' commitment? After all it is in the middle managers' remit to deal with such policies on a day to day basis and they are more familiar with relevant issues and practicalities. The company's 2005 response was somewhat different:

> *"There is a director of Regulation and Investment responsible for environmental policies and ethical policies are split across the board, as they fall into different categories. We have a board level CSR committee which meets quarterly. Business planning and the quarterly review process ensure their (environmental and ethical policies') implementations."*

Where does the company see itself on the ladder of green-ness? On the ladder of green-ness in 2003 the company saw itself as more than a green client and perhaps a green advocate or partner but not a militant green, however, it perceived itself as an advocate in 2005. In fact none of the participating organisations wished to be regarded as militant green. The word militant perhaps has a stigma attached to it.

Does the company make more of being green to make a virtue out of necessity? Based on contacts with YW in 1999, 2003 and 2005, it becomes evident that the company's legally required operations are used to highlight its environmental and ethical stance, i.e. compliance with legislation be it in the form of cleaner water or better sewage systems, is publicised as such. Although the company states that: *"We are now being asked to make environmental improvements that are extremely costly…".* In fact in 2005 the organisation viewed the need for cost efficiency and delivering value as well as service, as barriers to implementing its green policies. However, as it was pointed out earlier, it is the customer that bears the cost.

Does the company see itself as simply acting in accord with legislation? Also does it make more of being green to make a virtue out of a necessity? It emerged form all interviews that although legislation drives this company to be green by complying it also boasts about its environmentalism. It is undoubtedly going beyond compliance in certain cases, however, this is done not for environmentalism per se but for other motives such as enhanced corporate image and PR purposes. With reference to compliance with the Environment Agency's (EA) requirements the Director said:

> *"The environment standards that have to be met are set by the EA, we take those standards as read. We just deliver the infrastructure that's required at the least possible cost in compliance with those standards".*

That sentence clearly suggests that in this case at least, there is mere compliance and no more.

YW said that it spends approximately £1 million per day on cleaning up the environment and other projects. This is in response to meet its regulators' standards. That is the compliance part. However, it goes beyond compliance by carrying out a risk-value study for each project where possible benefits and risks (including to the environment) are then compared and highlighted.

Would the company pursue green policies if they had no commercial value and were not a legal requirement?

The answer to the second half of the question was that *"if we didn't we would lose our licence to operate".* Furthermore, the first response to the existence of a trade off between green and profit issues in 1999 was that as a PLC Yorkshire Water's Directors' primary objective was to increase shareholder value. It was deemed to be a statutory duty of the directors. *"We're in the business of making a profit by providing water and sewage. I'm sure there's a lot we can do that is green but is not business beneficial ".*

The second response in 2003 was somewhat different. The Director said that shareholders should not receive a preferential treatment over the others. He then stated that:

> "T*hey are a very important stakeholder because they own the company…we strive to provide them with value for money…if the shareholders don't value the company, our credit rating would fall and the cost of borrowing would go up, this could be catastrophic…".*

Reading between the lines the remarks suggest that shareholders would indeed receive preferential treatment. The 2005 response was brief and textbook like: *"we consider all our stakeholders important- customers, employees, shareholders, communities, etc.* " Coming from the individual in charge of the company's CSR, it speaks volumes.

On the issues of social responsibility and similar issues, the organisation insisted that it practised corporate social responsibility albeit in a subtle manner. The legislative, economic and environmental frameworks ensured that the company acted in a socially responsible way.

In 2005 the company response was as follows:

> *" We would not define CSR as window dressing and yes our organisation practices it. We participate in benchmarking indices (BitC CR Index and FTSE4G) and use these as guidance for improvement rather than box ticking exercise. Society is our high level mission statement (?) we have a strong advocacy role relating to CSR practice and sit on a number of relevant working groups and have spoken at regional, national, and international conferences. We are also running CSR workshops for businesses in conjunction with* BitC."

References were made to the high quality of water and YW's commitment to caring for the environment and the society at large. An example provided was also the company's involvement with the Environmental Vendor Evaluation System (EVES). Approximately 50% of the company's expenditure on goods and services is subjected to these assessments. The question that arises here is: if the company is genuinely environmentally concerned why not subject 100% of the expenditure? However, EVES enables YW to gain an accurate picture of the environmental performance of potential suppliers and take a co-operative approach to working with those suppliers in order to improve their environmental impacts. In the past the company had to employ an environmental consultant to provide an environmental accreditation of suppliers. The EVES environmental assessment provides a more efficient and cost effective analysis.

The EVES assessment tool objectives are:

- Reduced use of fossil fuels- this is carried out by means of studying energy use and active encouragement of energy management systems and energy efficient products. Are good intentions always translated into green action?

- Reduced use of harmful chemicals- note the word reduced and not eradication. However, it is still a step in the right direction and encourages the use of less environmentally harmful products.

- Increased use of recycled products- as well as encouraging recycling it also aims to minimise the use of non-sustainable resources. Why minimise and not completely cease to use such materials?

- Increase the efficiency of natural resources- the company website explains this point as: " *enables purchasers to make more enlightened* *choices based on criteria designed to protect and sustain the environment".* www.keldagroup.com/kel/csr/ourenv/casestudies/eves

There is no elaboration of the suggested criteria and the statement itself is rather vague. However, as pointed out on a number of occasions, in the absence of any environmental measures, every small step can contribute to saving the environment and the creation of a synergistic approach. What is doubtful, however, is that are such measure capable of counteracting the large scale environmental damages of the past and to some extent present day?

In 2000, YW produced a Green Transport Plan with the aim of reducing environmental harm created by its LOOP call centre staff especially while commuting to work. The Co-operative Bank has had a similar plan in place for a number of years. However, the plan was the result of a government White paper under the heading of 'A New Deal for Transport, Better for Everyone' and not a YW initiative as such. However, the plan involves discounted bus and train passes, car sharing and allocation of travel responsibilities to specific staff. The implementation of the plan has resulted in environmental improvements. Similarly, employee involvement in pursuing performance objectives, has resulted in:

- 90% participation by staff in interactive environmental training
- pollution reduction by YW over 5 years by 40%

- 70% reduction in unsatisfactory storm water discharges – resulting in reduced fees for landfill licences
- consultancy to business customers producing efficiency savings, e.g. £200,000 saved by Carlsberg Tetley over 3 years

www.environment-agency.gov

Yorkshire Water was selected out of 41 entrants as the 'Example of Excellence' for the Shields Environmental Impact Award 2005 as part of Business in the Community's Awards for Excellence'. According to the Environment Agency:

> *"Yorkshire Water, one of the ten largest water companies in the world, has shown what commitment, dedication and enthusiasm from all levels of the business can do for the environment. All employees have specific performance objectives about protecting the environment…".*
> www.environment-agency.gov.uk

A further example of YW's publicised environmental efforts is the Lower Derwent Valley Project. This is the result of co-operation between YW, the Environment agency and English nature based on an investigation into the effects of abstractions and flood defences on the ecology and hydrology of the above location. There had been concern about the impact of YW's abstractions at Elvington and Loftsome Bridge to the river and ings of the Lower Derwent Valley, a designated Site of Special Scientific Interest. The alarm was raised by English Nature and the Environment Agency in 1996. These were joined by RSPB and Yorkshire Wildlife Trust in expressing their concern. English Nature's initial view was that were YW's abstractions found to be harmful to the environment, then its abstraction licences should be reduced. Following the severe draught of 1995 and its mis-management by WY, such a reduction of supply would prove catastrophic for the company.

An investigation into the problem then ensued resulting in the collection of a vast amount of data and construction of computer models, etc. the hydrology computer models showed that YW abstractions had no effect on Ings flooding and that the barrage operation had the largest impact on the river below average flows. The output was used to examine the impact biodiversity in the river which was found to be minimal and in some instances positive. Land drainage and not flooding was found to be the key driver of the Ings biodiversity. To YW's relief the study helped to dispel a widely held view of the company's negative impact on the eco-system through its abstractions. Yorkshire Water uses a number of rivers for abstraction purposes. Can the company be trusted as an environmentally conscious operator or will there a need for further studies into the impact of its abstractions in every river it uses? The above was just one example.

The company lists 'Managing Our Woodlands' amongst its environmental endeavours. Its Woodlands Management Strategy was accredited by the main environmental awarding body, Forestry Stewardship Council (FSC) in March 2005. YW owns woodlands in the excess of 1700 hectares and uses a 'holistic' approach to management and sustaining of quality water collection. Part of the management strategy is to increase the age and species structure to favour native broadleaves, reduce the management intensity and enhance the biodiversity value of the woodlands. It aims to manage its woodlands in a manner sympathetic with the surrounding landscape, and in a way that will safeguard raw water quality throughout the preparation, establishment, growth, crop management and production cycle. In consultation with the Forestry Commission forest design plans are implemented. The company website publicises this further by stating that:

> *"The strategy sustains quality water (collection and supply), timber production and landscapes whilst protecting heritage and habitats, enhancing biodiversity and creating an image for Yorkshire Water which is tangible and real. Our stewardship of the environment is creating truly sustainable woodlands for now and the future".* www.keldagroup.com

A further example of YW's environmental efforts is its 'Managing Urban Pollution' case study. This refers to its east Bradford operations and being required to deliver the strictest inland storm discharge quality standards available to the Environment Agency. The Bradford Urban Pollution Management project was the largest integrated study of its type within West Yorkshire. An investigation carried out by Capital Solutions Partner, Mott MacDonald Bentley (MMB) in December 2002 pointed to the un-sustainability of Environment Agency's initial requirements.

This was confirmed by the Environment Agency in July 2003. Following the reduction of storage requirements, MMB designed an effective and efficient storm-water management strategy to solve the river water quality in west Bradford with a further 4750 cubic meter reduction in the notional storage volume. This investment in both water quality and aesthetic improvements to the Bradford Beck catchment area arms YW for future regulation. The Beck has recently been declared a Cyprinid (coarse fish) Freshwater under the Fresh water Fish Directive. The investment by YW would help ensure its protection. The Environment Agency in praise of YW said:

> " T*he Bradford UPM study has been an excellent example of how our close working relationship with Yorkshire Water should deliver significant environmental benefits to the Bradford Beck*".
> www.keldagroup.com

Further to YW's environmental stance, vis-à-vis the Triple Bottom Line (TBL) concept, the company was aware of its existence. However, YW found it difficult to assign economic values to some, not just the primary effect, but also the secondary and tertiary effect of environmental consequences of its activities.

> " T*he bottom line is that we can actually find and measure the best balance. And we can work with the government and our regulators to decide what the best balance is and then deliver it. Unfortunately, I don't think TBL features in that. That's the perception. I think the reason why many companies have not adopted a publicly published TBL is that there's always the concept of ridicule. The shareholders saying how could you possibly line one bottom? But that doesn't mean that the ethos of what you do with TBL isn't worthy, because it is. We don't*

have a published TBL ....it (TBL) is not well understood and well articulated".

The company's CSR representative stated in 2005 that: *"we are aware of it (TBL) but have our own business balanced scorecard measures that cover the scope of this."* When enquired whether she detected any links between TBL and sustainable development, her response was: *"not sure what the question means".*

One of YW's Health, Safety and Environment Directors, had earlier suggested that the company firmly believed in sustainable development. Without it, it would be in the wrong business. A series of indicators and targets existed within the industry pointing to sustainable development. However, it also emerged that this practice did not necessarily emanate from the company's board room, "*..because we're so heavily regulated we don't actually have that much choice really...the reality is that we don't have control".* So even though the company boasts about its sustainable development efforts, the major driver is in reality compliance with legislation.

On the application of the organisational balanced scorecard concept, the company also believed it to be fundamental to driving environmental, social and economic issues into business. It had apparently had well articulated scorecards for well over four years. No further reason was offered for employing the balanced scorecard approach, nor evidence of its use within the organisation. Its existence was reiterated in 2005 by the company representative with no further elaboration. However, it emerged that it is treated as an alternative to the triple bottom line concept.

The question was put to the Health, safety and Environment Director as how changes in behaviour, positioning and performance manifested themselves due to YW's environmental policies? The 2005 response was:" *changing organisational behaviour can take time- this isn't a barrier but requires time and good internal communication and management support".*

The response in 2003 had been:

> *"The actual environmental policies are a matter to reflect; in the main the way we are regulated. They reflect to a large extent what our stakeholders want us to deliver, etc. so they are absolutely fundamental to the behaviours, positioning, performance of the business, the way we are regulated, the targets we are set...the way the economic tests are done, the way we balance the scorecard, the way we manage performance, they are all effectively intertwined. And if you put the overlaying cultural blanket over that about the way people in this industry are still to a large extent vocationally driven…you end up with an alignment from all the various directions, outlook, culture, values, measures, regulatory styles all in one direction that really moves the sector, the company, towards delivering (the) best environmental value".*

Again it appears that regulations and legislation tend to dictate the company's codes of behaviour, positioning and so forth. The 2005 response had also stated that: "*we are currently working on influencing the high level customer service measures used by OFWAT to benefit* *the customer more. We recently wrote an opinion piece in Utility Week on this. There are plans to hold a water industry conference on this".*

Asked what changes if any had YW's green policies made to the nature and direction of its product/service development, the organisation's reply was that product development is controlled by the regulators and that company policies had not made much change to that. The organisation's products and services are tailor made to government policies and EU directives. As far as the existence of any strategic alliances was concerned, it was suggested that the water industry is a tremendously large strategic alliance, although the company was not in an alliance in the strict sense of the words.

> "*More strategic amalgam would be a better way of describing it. We all have similar targets, and we all work together on common interest projects".*

The 2005 response was that vis-à-vis ethical and environmental policies *"we aim to perform as well as possible in these areas. As the sole water and sewerage provider to the Yorkshire region, we do not need to compete with our peers for customers".* This statement would perhaps also obviate any need for strategic alliances as such.

6.2.3. Conclusion

The Director of Health, Safety and the Environment in 2003 stated that when he joined the organisation some five years ago, YW ranked 9th or 10th nationally. In the same year it ranked 2nd. The organisation has managed to maintain that position, as emerged during the 2005 contact. The director had joined the company with a mission to build the corporate strategy with a specific group of people, around the environmental, regulatory, health and safety issues. The organisation had been transformed over the years, he suggested. Consultation with stakeholders, ranging from customers, employees, regulators combined with its balanced high level decisions (to consider the impact of activities on the environment and the society etc.) had clearly contributed to this transformation.

Profit was an absolutely vital motive, however, reference was made to the balanced scorecard and how maintaining the balance was absolutely crucial to the survival and growth of the company. The company recorded a 16.8% increase in annual pre-tax profits to £223.7 million partly by job reductions. Share prices rose 3% to an all time high in May 2005. The company CE believed its 'outstanding' financial performance at YW had also come alongside being named utility of the year on the back of its best ever drinking water and waste water quality performance (Macalister, 2005). The organisation is legally bound to be green and act environmentally responsible. This requirement and the resultant actions and operations are used by the company to portray itself as green and ethical. Such proclamations are highlighted in the company's environmental and CSR reports.

> *"It has to be said that much of what passes for ethical and sustainability is a bit of a joke- a compilation of all the best*

bits of a business' performance, with a few exaggerations thrown in to boot. But is it sensible to think that producing a few glossy leaflets and generating a bit of media spin will be sufficient for trust to be built with customers and other stakeholders? Almost nobody considers either themselves or others to be entirely perfect; therefore, when a business implies perfection in its communications- which many do- it produces disbelief and ultimately cynicism." (Monaghan, 2005)

Despite current day achievements, the company has not had a socially responsible and environmentally blemish free reputation. References to the mishandling of the 1995 drought and water shortages which were partly due to errors in forecasting water demand and miscalculating water leakages by the company and a number of other mishaps substantiate this. Furthermore, the manner and speed in which the company reacted to the recommendations of the report in the aftermath of the drought undermined stakeholder trust in the company even further. Incidents such as causing raw sewage discharge into Millshaw Beck in Leeds in March 2004 in contravention of Section 85 (1) and 85 (6) of the water Resources Act, 1991, does little to change customer perception of YW. The company pleaded guilty and was fined £7000 as result, a drop in the ocean for an organisation the size of Yorkshire Water.

The company has made efforts to regain lost ground and to restore corporate reputation to some extent. The chapter has highlighted a number of such attempts, many of which have been the result of compliance with regulations and occasionally venturing beyond too. The organisation needs to improve its operations and continue with its environmental and corporate responsibility strategies. Customers tend to have long memories and the corporate reputation restoration will require a great deal of genuine commitment and evidence of good work as well as time to be effective.

Despite the organisation's earlier assistance, the researcher found it extremely difficult to obtain (non- website) ethical and environmental information from the company in 2005. The absence of genuine commitment to accommodate such enquires might imply that CSR indeed is a mere cosmetic exercise or PR activity employed by the company.

In the meantime, Yorkshire Water along with all the organisations that boast about their ethical and environmental credentials will remain under the spotlight in order to scrutinise its operations and activities.

Chapter Seven

Findings on Customer Led Organisations

Introduction

This chapter will examine the cases of organisations that have either developed appropriate green strategies or are currently striving to apply such strategies. These strategies are mainly consumer driven, however, it also possible that compliance with legislation has provided the initial impetus. The aim is to investigate the extent to which such companies are following developing social trends and attitudes to environmentalism and ethical issues. Furthermore, are they in pursuit of a specific niche market; and are they genuinely seeking to alter consumer attitudes and if so for what reasons?

A number of organisations have been selected for this purpose including Clariant, British Petroleum and Argent Energy. The chapter will commence by examining the case of Clariant, an organisation that participated in this research in 1999 and 2003.

7.1. CLARIANT UK Plc.

7.1.1. Background

The company has its roots in the Sandoz Group which was founded in 1886 for the manufacture of synthetic textile dyes. It is a member of the Chemical Association for Responsible Care Movement. As an independent organisation now, Clariant has over 100 manufacturing centres and affiliates in over 30 countries employing almsot 30,000 people around the globe. It has its headquarters in Munttenz, Switzerland and was formed in 1995 when the Chemicals Division of Sandoz was spun off, and in 1997 it took over Hoechst Specialty Chemicals business. The company generates sales of 10 billion Swiss frans and consists of six divisions: Textiel, Leather and paper Chemicals, Pigments and Additives, Masterbaches, Functional Chemicals, Life Science and Electronic Chemicals, and Cellolose Ethers and Polymerisates. (Environment, Safety and Health ESH: Clariant's Position, 2004).

The Clariant office in Horsforth, Leeds that took part in the interviews employs around 450 staff and has been in operation since the 1960s. It acknowledges the importance of people with all their 'traditional values to Claraint' and treats the environment with equal importance. As for its customer orientation it further states that:

> *"our customers are our partners, it is of great importance to us not only to supply them top quality goods, but also to build with them a mutual trust".*

Their current strategies would perhaps also refer to not only 'top quality goods' but also environmentally compatible and concerned products. The company emphasises its customer orientated environmental (as opposed to green) marketing, a theme that was reiterated during both interviews. The company prides itself in developing a sustainable, future-proof, 'cradle- to grave' approach to environmental, safety and health issues. Without customer orientated green marketing the achievement of such objectives would not be feasible. As far as the sustainability and green issues are concerned the company's Chief Operating Officer states that:

> " We *do not just sell products to our customers; we help our customers to use and dispose of them safely and in an environmentally compatible way".* (Clariant ESH Report, 2004)

Since the majority of the company's trade is B2B, the customer driven aspect of the business requires no further emphasis.

7.1.2. Findings

The company's products are required to satisfy a wide range of customer needs. as well as being effective as a product, they will be cost effective, and safe not only to use but also to the environment. Based on the first interview carried out with the company in late 1999, sales persons' reports on customer preference, is taken on board by management as far as green marketing is concerned. This would be an indication of not only customer power and influence but also that responding to such requests could be financially rewarding.

The company asserts:

> *"our activity starts with a need, for example, from the consumer, from our customer or from our manufacturing plant. This need gives rise to an idea which takes the form of a research and development project...the environment (is) to us more than a catchword".*

Without an economic incentive the organisation would not pursue such a policy. The company has also suggested that *'economy and ecology cannot be incompatible'*, and that the prerequisite to a healthy ecology is a healthy economy. Amongst their green efforts is their EcoVISION programme for the textile industry, for instance, that uses Indosol SF and Foron RD dyes in their dyeing process. These dyes reduce energy and water consumption considerably – and as a result wastewater- to a third of what was previously.

Cellulose is an important raw material in the manufacture of various Clariant products. It is obtained from wood. The company acknowledges the fact that it is aware of the ecological dangers of intensive forest exploitation. One of its main suppliers the Canadian company Western Pulp has pledged its binding commitment on not supplying Clariant with cellulose from disputed areas of rain forest. The commissioning of a team of internal and external experts to investigate the Canadian company's environmental responsibility in producing the cellulose and sourcing the ram materials resulted in positive feedback.

> *"The teams found that the sourcing, transportation, and processing of the wood were organised in such a transparent manner that the company's guarantee could be accepted as reliable. Moreover, the cellulose is transported by a ship, which is the most environmentally compatible and cost effective way".* (Clariant Environmental Report 2004).

During the second interview with the organisation in early 2003, Clariant stated that it uses Cost Benefit Analysis (CBA) for their projects, some of which would include environmental/green related operations. It plans for long term rather than short term returns on investment. It also said that environmental/ethical policies are good for the company, as they would attract customers (financial incentive). The company produces green products and would like to develop its green economies. It would certainly wish to sell its green points and use those in informing its customers about its green policies and its interest in the environment. The company Chief Operating Officer, Dr Handte writes in the company's Report 2004, that environment, health and safety are essential to the sustainable development of Clariant and its long term success. Customers and employees expect it, as do shareholders and the competitive situation.

Income generation for the organisation can result in *more satisfied shareholders*, however, it was said in the interview that:

> *" if we don't look after the environmental issues we won't be*

able to look after shareholders. My boss (MD) firmly believes that health, safety and the environment are the number one key business issues. He says if we don't look after those, we won't have a business".

It emerged that green marketing policies attracted more customers who in turn would contribute to revenue generation for the company. Those customers are not necessarily dedicated to environmental issues, increasingly it is legislation that drives them in that direction and Clariant has recognised that fact.

Based on the first interview with the company in late 1999, legislation has to be 'complied with'. The effect of legislation and the array of rules and regulations have had a major impact on the organisation. It sees itself not as green but as one '*with environmental compliance, keen on sustainability…, the company practices 'green marketing'*. Its customer being either in the same or similar industries appreciate the impact of legislation and the way that it affects Clariant's product offerings.

According to organisational document 'Environmental Policy':

> *"Clariant UK makes every effort to protect the environment from potentially harmful effects of its activities and conducts its business with due consideration of sustainability. The company strives for the development of products that do not give rise to an undue impact on the environment during the whole life cycle. Clariant complies fully and in many cases exceeds relevant legislative requirements and company guidelines*".

On a second visit to Clariant in 2003, the Head of Country ESHA

(Environment, Health and Safety Affairs) was interviewed again. He stated that there were areas where the environment had become 'tighter' and there were areas where the company had to change its ways. He made a particular reference to the Environment Protection Act, Integrated Pollution Control (IPC) and the EU proposed Pollution and Prevention Control (PPC). This, he said was mainly based on the British IPC. However, such laws had developed from earlier British regulations. Although there are company guidelines and overall policy on health, safety and the environment, local policies are also taken into consideration when dealing with individual sites. Policies relating to ethical/environmental issues were the norm in the chemicals industry. In addition, Clariant is part of the Chemical Association for Responsible Care Movement (CHARM) which would require further ethical/environmental considerations.

> *"CHARM provides data on degradability and accumulation, environmental impact and the probability of harmful effects occurring. The results of the study enable customers to compare different products with the same application on the basis of their environmental impact. Clariant uses them as a means of developing methods that are still more environmentally sound".* (Clariant Environment Report, 2004).

Auditing of sites on a three yearly basis ensures that ethical/environmental policies are implemented. Such audits would include legal compliance. Both internal and external auditors take part in such activities to ensure impartiality. An annual data is collected by the organisation on health, safety and the environment. Furthermore, ESHA Key Figures (AKA performance indicators), such as measuring energy use, water usage, emissions and the like are collected, going back 10-12 years. These figures become stricter and more refined. Targets will be set for 2010 under the banner of Responsible Care which is an agreement between the industry and the government on planning and control. Reduction of emissions, better energy and water usage efficiency, and so forth will be amongst such targets.

Roberts (1995) writes that environmental auditing schemes should include the definition of an environmental policy, the setting of targets for achievement within a given period of time, the provision of plans and systems to achieve those targets, the auditing of progress made, the reporting of the results and setting of new targets for the next time period. Upon investigation it became clear that Clariant had adhered to those guidelines. The company had paid particular attention to the following:

- Controlled and uncontrolled emissions to the atmosphere
- Controlled and uncontrolled emissions to water or sewers
- Solid and other wastes, particularly those of a hazardous nature
- Contamination of land
- Use of land, fuels and energy, noise, odour, dust, vibration and visual impact
- Effects on specific parts of the environment and ecosystems

In terms of following social attitudes and trends, although customer influence has been paramount, the company states that, for instance, pressure groups have not really had a great deal of influence on it since the organisation has been pro-active, rather than reactive. It sponsors a local environmental group called 'Eye on the Aire' and by so doing a partnership or strategic alliance has been formed between the two parties. The company discharges water into the river Aire in Leeds.

As mentioned earlier, sales persons' reports on customer preference is taken on board by management vis-à-vis green marketing requirements. This would signify customer influence and the organisation's compliance with it in order to survive and succeed. The company has a number of imposed strategies which may also be ideological strategies since paying attention to customer demand is part of the company's value system or stance. Green marketing issues can be seen as intended strategies for the company as it not only regards itself as environmentally aware but also believes its green marketing to be at the growth stage of its life cycle. In addition, ideological strategies have been implemented that reflect the organisational value system and environmental stance in the form of supporting the local e pressure group.

According to the organisation, competition is a major influencing factor along with technology and some others. Its Environmental Policy document states that *" Clariant UK Ltd is committed to protecting the environment and to at least match the standards set by comparable* *companies"*. This is not a cosmetic exercise as the organisation is aware of customer green marketing requirements and realises that by not responding to those, it would lose customers. Furthermore, should competitors offer a more environmentally concerned product or service such action might again attract Clariant's greener customers.

The company's Environment, Safety, and Health (ESH) Director said in the second interview in 2003*: " I think everybody would like to go round and say that competition has not influenced their ethical/environmental policies. I don't think we get more pressure than anyone else does. I think, however, we have influenced our competitors. I think we do it to each other. I wouldn't say we're more influential than others"*. It appears that competition, perhaps in a reciprocal manner does drive the organisation's ethical/environmental policies.

Is the organisation in pursuit of a specific niche market? Since the majority of its operations tend to be business-to-business that would imply that B2B would be its main market niche if the term could be applied in this case. Vis-à-vis the company attempts and efforts to change customer attitude, based on the literature provided by the organisation and as a result of the interviews, it can be argued that it is in the industry nature to enhance its (negatively) perceived public image. Environmental strategies go some way towards achieving this objective. The company does not attempt to put across a paternalistic green image and change customer attitudes amongst its B2B markets, it responds to their demands for green products since they in turn are expected to comply with legislation. The organisation can benefit financially (due to customer demand) from its green marketing activities and directly or indirectly influence competitor attitudes to environmental issues by so doing. In the process its corporate image could benefit from its green marketing activities too.

7.1.3. Conclusion

In conclusion, Clariant strives to implement green marketing due mainly to customer pressure/requirement. It terms of compliance with legislation it goes further than meeting minimum requirements. This has perhaps been instrumental in achieving its current environmentally concerned status. Paying attention to customer needs rather than pursuit of emerging social attitudes seems to be its main business strategy currently. As one that operates in the chemicals industry, along with other companies it strives to alter customer perceptions and its green credentials may contribute to this image change. Overall, its philosophy is: healthy ecology relies on healthy economy.

7.2. British Petroleum (BP)

7.2.1. Background

When the Director of Environment, Safety and Health (ESH) at Clariant was asked which company he regarded as the industry champion in environmental protection terms, the answer was BP. The company has publicised its green endeavours in recent years and it can be argued that such efforts have been triggered partly by customer demand. Indeed, the company CEO John Brown as far back as 1996 confirmed his commitment to environmentalism. He argued that oil companies have a responsibility to help in the protection of the environment. He further stated that his organisation would address carbon dioxide emissions, solar activities and global warming (New Statesman, July 4, 1997).

This case study aims to investigate the extent to which BP's green policies are customer driven, as well as the motives behind them.

Since its merger with Amoco in 1998 BP created one of the strongest energy and petrochemical companies in the world with a market capitalisation of $110bn and interests in 70 countries worldwide, employing over 107,000 people. BP activities include oil, gas, exploration, refining, chemicals and solar energy. However, the company was first registered in 1909 under the name Anglo-Persian Oil.

Indeed, it was back in 1901 that William Knox D'Arcy, a wealthy Englishman, ventured into the Persian (Iranian) desert to search for oil. The year 1908 saw the first extraction of oil in southwest Persia prior to the formation of the Anglo-Persian Oil. In 1935 the company was renamed Anglo-Iranian Oil Company. In 1951 the company's assets (the UK's largest single investment overseas) were nationalised by the Iranian government. Following a three year period of conflict, British Petroleum was formed. BP's exploration extended to numerous other countries in Middle East and in the 1960s into the North Sea. The company posted a loss in 1992 leading to a cost cutting exercise. By 1995 BP's profits had trebled.

http://news.bbc.co.uk/1/hi/business/the_company_file/148259.stm

In October 2004 BP posted record profits of $3.9bn (£2.14bn), earning £1m an hour profit (The Guardian, Oct 26 2004).

7.2.2. Company's Environmental Efforts

In BP's Sustainability Report, 2004, its CEO writes:

> " To *deliver sustainable performance, we require a combination of factors. Our investments must be for the long-term. We have to attract and retain the best people. We must work with others towards a sustainable environment….to achieve our purpose, we follow a strategy that is itself founded on the principles of sustainability".*

As well as environmentalism and sustainability, he also discusses 'responsibility' which is perhaps a shortened version of corporate social responsibility. He refers to it as a much used term in need of clarification. He writes:

" D*uring 2004 we discussed this in much detail....and concluded that responsibility operates on several levels, all linked to our business strategy".* He suggests that these consist of the basic level of compliance with legislation and company regulations, followed by the level taking BP beyond compliance, and the highest level of taking action on issues that extend beyond its operations and where BP can make a difference. For the last level he cites company's stand on climate change and how not only has the company reduced its own greenhouse gas emissions, but also taken an 'increasing part' in the global debate on climate change. One example of such a commitment was the announcement in 1998 by the same CEO that the company would lower its greenhouse gasses to 10% below 1990 levels by 2010. This represented a rate double that of the target agreed upon by developed countries at Kyoto.

Trading greenhouse gases can be a cost-effective mechanism for reducing GHGs. BP sets the policy and targets at a global level, however, it allows business units to define own methods for the reductions. Such structured flexibility facilitates innovative practices. Each of the 160 business units operated within BP has an allowance for emissions and trades with other business units. Each allowance translates into one metric ton of CO2. The trades take place on the BP intranet and are registered and traded through a central broker. For instance, a business unit involved in deep water offshore drilling will have a higher emissions rate due to increased production. The business unit decides to purchase CO2 allowances. A business unit focused on chemicals has been able to reduce emissions more quickly than expected by shutting down a furnace. Allowances are freed up and traded between the two business units. The success of the initiative lies behind a credible measurement system and verification. Measurement takes place at the business unit level, while verification is conducted by firms such as KPMG, Det Norske and ICF Consulting.

However, GHG trading is one segment of BP's environmental vision. In order to combat environmental degradation the company sought to take the following actions:

- Control greenhouse gases
- Conserve energy
- Introduce new technologies
- Promote flexible market instruments
- Participate in the policy processes
- Invest in research

www.bp.com/key_issues/environment/climate_change/index.asp

As far as, for instance, the last action is concerned, in 2000 BP announced to provide $85m to a number of institutions over a 10 year period for research into environmental projects. This would enable to company to be on the cutting edge of scientific development that can benefit BP and society while offering opportunities for a cleaner environment and a stronger economy (PR Newswire, Oct 25, 2000).

The above actions are explained in more detail in BP's Sustainability Report 2004 with particular reference to climate change:

> *"In 2004 this work continued in several ways:*
>
> - *We continued to promote global solutions for climate change, outlining options for stabilising GHG levels.*
> - *We accelerated our internal energy efficiency improvement programme, which has now mitigated around half the growth in operational emissions since 2001.*
> - *We launched a major pilot project to capture CO2 and store it underground .*
> - *We continued to develop methods for measuring emissions from products we sell and for characterising ways in which our products can help avoid emissions.*
> - *We participated in preparations for the European Union Emissions Trading System (EUETS), launched in January 2005.*
> - *We increased our sales of natural gas-which releases less carbon per unit of energy than oil or coal when consumed.*
> - *Our solar energy business continued to grow and became profitable.*
> - *We continued to market cleaner fuels. We explored the potential for low carbon bio-fuels and increased our participation in demonstration projects of hydrogen fuel cell vehicles."*
>
> (PP 30-41)

7.2.3. Evaluation of BP's Environmental Policies

The above list confirms BP's commitment to environmental protection and especially climate change. However, as far as GHG are concerned BP admitted that its own production of those gases increased in 2004.

The world's second largest quoted oil producer and the UK's largest company had produced greenhouse gasses in the excess of 85 million tonnes in 2004 up from 83.4 million in the previous year. This output was approximately double that of Argentina (The Guardian, 12 May 2005). The response from environmentalists to this increase is one of alarm.

> *"I would question whether the extent to which BP has reduced its emissions represents their actual ability to do it. BP makes a big song and dance about what they are doing but they could do a lot more. While it is great for BP to think about its offices and the emissions of its refineries that's peanuts compared to thinking about its core business, which is extracting fossil fuels. BP also says that it has increased its oil and gas extraction for the 12th consecutive year, how on earth is that compatible with its commitment to reducing climate change?"*
> (Friends of the Earth campaigner quoted in the Guardian article).

BP's promised $45 million investment in its solar power arm BP Solarex. However, 99% of its investments remain in fossil fuel. One of the most destructive amongst these is the $450 million Northstar undersea oil pipeline in the Alaskan Arctic Wildlife Refuge. BP is responsible for 622 million cubic tonnes of CO_2 emitted annually, more than the whole of the UK. www.corporatewatch.org

However, the fact that BP's emissions are lower than those of the industry bete noire Exxon Mobil, the American oil company that opposes the Kyoto treaty on climate change does not make it a green company. Indeed the organisation created furore amongst environmentalists in

2004 by revealing a 2% increase in emissions to 135.6 tonnes. Furthermore, BP is seen as more willing to participate in discussions about climate change in comparison with its competitors. (The Guardian, 12 May 2005).

The motives behind BP's environmental policies require scrutiny. Does the company embark on such policies due to consumer demand or is it genuinely committed to climate change reduction end environmental protection? After all the company is in the business of extracting fossil fuels and selling them at a profit. Indeed some form of diversification has been detected in terms of its investment in solar power and so forth. However, does such investment emanate from a desire to gain further revenue, a commitment to protecting the environment, a response to consumer demand or a combination of those factors?

Marriott and Muttitt (2000) questioned BP's green initiatives by writing that oil and gas producers have to find ways of differentiating their products. Unlike food or clothing, for instance, oil and gas producers, offer products that are almost identical. Creation of differentiation perhaps via brand construction might help build brand loyalty. Climate change has apparently provided such a business opportunity and BP has branded itself as THE environmental oil and gas company. The fact that Clariant perceives BP as industry champion of environmentalism substantiates this.

Research carried out by Anderson and Bieniaszewska (2005) on the role of CSR in oil companies' expansion into new territories states that BP suggested it conducts social audits as a form of stakeholder consultation on its social and environmental activities. Furthermore, the research findings reflected the company's awareness of stakeholder concerns through their activities such as Third World poverty, as well as investment in the environment. Also evidence suggests that BP believes that making CSR (a component of which is environmentalism) part of the central business strategy may be significantly beneficial to the company in the long term. Arguably, the researchers suggest:

> *"Companies could benefit more from CSR by adopting BP's approach, where CSR seems to underlie organisational culture…regarding the perceived importance of CSR it seems fair to say that this company (BP) is aware of the benefit of CSR reporting to reputation and profit…BP is registered on the FTSE4Good index and has little doubt that such publicity has a positive impact on stakeholders…BP with CSR at the centre of its business strategy feels reasonably secure about the possibility of future CSR related legislation*". (www.interscience.wiley.com)

The company has won a number of awards such as the 1999 Earth day award. The 2005 FTSE4Good Index for 100 global companies ranked BP fourth. It was amongst the top five of the FTSE4Good Index-UK 50. Moreover, on the 2004 Financial Times' 'World's Most Respected Companies' list selected mainly by NGOs, BP was ranked third while one of its rivals Royal Dutch/Shell took 15th place in 2004. Goldman Sachs' first index ranking companies on their social and environmental performance (entitled Goldman Sachs Energy Environmental and Social

Index) produced as part of a United Nations Environmental Programme(UNEP) initiative, places BP ahead of shell, Statoil and Exxon Mobil.

www.environmental-finance.com

Similarly, in comparison with Royal Dutch/Shell (and its Better Britain Campaign) which simply sponsor environmental projects, BP goes further:

1. It sells environmental products such as photovoltaic cells, renewable energy, e-commerce and emissions trading consultancy; and
2. Portrays itself as an intrinsically environmental organisation, by being the first oil company to withdraw from the anti-Kyoto Global Climate Coalition, as well as being the first to acknowledge climate change, by taking other environmental steps (as highlighted earlier).

Merrill Lynch believes that BP's expansion into renewable energies "*has transformed it from a regional mainly upstream (i.e. exploration and production) company to a global energy powerhouse…*".

Marriott and Muttitt (2000) see no link between this transformation and renewable energy, rather a reference to the expansion of BP's downstream activities, in particular petrol retailing. This may be viewed as a risky venture for an oil producing organisation with production moving increasingly into 'frontier' areas, where indigenous population and fragile eco-systems are under threat. Furthermore, in such areas there may also exist the danger of the next major environmental or human rights campaigns affecting sales at the petrol pumps, Marriott and Muttitt argue.

However, business organisations take risks in order to achieve success and BP is no exception. With its environmental branding, BP is in a position to achieve competitive advantage from such threats to the industry's image. BP has heavily publicised its investment in renewables. Merrill Lynch sees BP's real shift not to renewables but to gas stating: "*perhaps the most dramatic turnaround has been in natural gas where BP is now one of the top three major players globally*".

In the UK where at present the gas supply comes from the North Sea, 30% is provided by fields operated by BP. This is not just the gas used for cooking purposes, but in light bulbs, or computer screens, with 29% of electricity produced now generated in gas fired power stations.

> *"BP is a vast capital concern just like any other corporation, be it a bank or a global grain producer, whose essential function is the reproduction of capital; the generation of profit. Its pursuit of the lead position in the global gas market, and its intention to become the world's largest PV producer, is driven by search for profit, not by a concern for the global atmosphere. However, trumpeting a concern for climate change has clearly succeeded in diverting environmental criticism whilst at the same time setting the company apart from its competitors, making the brand itself a more profitable commodity."*

(www.corpratewatch.org.uk)

7.2.4. Conclusion

In conclusion it can be argued that despite some criticism of the company, its efforts in environmental terms whether motivated by profit making or in response to changing market conditions etc, can contribute to damage limitation to the global eco-systems. Furthermore, should such initiatives result in higher profits, an enhanced corporate reputation and a competitive edge, rivals too may seek such a path. The more environmentally aware consumer and the search for alternative sources of energy have undoubtedly had an influence in shaping BP's environmental policies.

Despite both Clariant's and BP's claims of environmentalism, they are part of an industry that either directly or indirectly contributes to environmental degradation. Research carried out on behalf of Greenpeace indicates that, for instance, fish and whales caught hundreds of miles offshore, and remote areas such as Alpine lakes and the polar regions, despite being far away from industry, are no longer pristine. Rainwater in Europe has shown to be polluted with the hazardous chemicals that are added to consumer products. Dust tested in homes found that it contains dangerous manmade chemicals. Such chemicals can accumulate in house dust since they are added to a whole range of ordinary household products. They are rarely labelled. Amongst product in daily use by consumers are electronics, toys, shampoos, perfumes, and furniture that contain hazardous chemicals, that according to Greenpeace, have been intentionally added to them. www.greenpeace.org/international/campaigns/

BP's most recent press advertising (Autumn 2005) that highlights carbon 'foot-prints' of companies may be perceived by some easily impressionable audiences as a testimony to that organisation's green efforts. Large institutional investors, e.g. Calpers and the pension funds of New York State and New York City, are pressurising companies to report their carbon 'foot-print', i.e. the total amount of CO2 that they and their suppliers emit-and to define their risk exposure to regulations limiting emissions.

However, such scrutiny is not driven by environmental concern, although there might be a link. It is born of the concern that over the next 5 to 15 years the manner in which an organisation manages its carbon exposure could create or destroy shareholder value.

> *"Managers who fail to respond to calls for more transparency and better planning will face greater public censure or even charges of breach of duty, say shareholder activists. They may also find the share price of their companies discounted in capital markets."*
> www.mckinseyquarterly.com

7.3. Argent Energy

7.3.1. Background

This organisation is the UK's first large-scale bio-diesel producer, based in Edinburgh. It was established in 2001 as a waste to energy business. The company was formed originally for the purpose of seeking alternative uses for a range of food-stock that has historically formed part of the food chain, however, as a result of legislation has been categorised as waste. Argent Energy has developed ways of putting value back into these products by means of the application of modern technologies for their conversion into new sources of energy.

7.3.2. Some Facts and Figures

About 100,000 tonnes of used cooking oils and 23,000 tonnes of tallow are collected annually in the UK. Until recently they had either been incinerated, exported or put into landfill sites. In the past they were also used for animal feeds until health concerns drastically reduced demand. In comparison with rapeseed oil at a cost of £373 per tonne, used cooking oil can be purchased for £175 per tonne.

According to the UK Department for Transport a variety of bio-fuels are potentially available, notably the following:

Bio-diesel- the only type currently available in the UK, can be used net, however, is generally consumed as a blend in conventional diesel. It is possible to manufacture such fuel by using recycled waste, vegetable oil and oil crops such as rapeseed and palm.

Bio-ethanol- capable of being blended into petrol with the resultant air quality and CO2 reduction benefits. A number of crops such as sugar beet can be used for its production. Future technologies may enable producers to use wider sources, e.g. wood, grass, straw as well as green waste.

Bio-gas- capable of being used in place of compressed natural gas to power gas driven vehicles, and providing better quality air and CO2 savings.

If bio-fuels contributed 5% to the road transport fuel used currently, the UK would save 1 million tonnes of CO2 (mt/c) per year, up to 3% of overall road transport carbon emissions.

Bio-fuels benefits extend beyond environmental care, the biomass production expansion could also have possible impacts on land use, landscape, and biodiversity.

www.dft.gov.uk

The American car manufacturer Chrysler currently fills up the tank of every new Liberty Jeep with bio-diesel and the UK supermarket giant Tesco will be offering a higher number of bio-diesel pumps on its forecourts.

www.sundayherald

7.3.3. Findings

Argent Energy's bio-fuel production commenced in March 2005, using used cooking oil and animal fat as the main ingredients with an investment of £15 million and Regional Selective Assistance of £1.2 million (via the Scottish Executive). The company is a wholly owned subsidiary of Argent Group Europe Limited (with a diverse range of interests predominately in the food industry) in which venture capital Cinven has a 60% stake. Cinven supported the creation of the group in 1997 as part of a management buy out from Hillsdown Holdings. The group's 2004 turnover was £230 million. Argent Energy is headed by Hamish Curran who was the former MD of the green energy company Wavegen. The Vice Chairman of the company had stated that:

> *" the market for this product clearly demonstrates strong potential for the future development of the business and would certainly allow us to plan two more plants in the UK".*
> www.sundayherald.com

The company's current production capacity stands at 50,000 tonnes and the bio-diesel demand is anticipated to increase since the EU wishes to see bio-fuel to account for 2% of all fuel sales rising to 5.75% in 2010. As a result of a contract between Argent Energy and Petroplus (a Dutch company based in Rotterdam that makes its own brand of bio-diesel) up to 25000 tonnes of bio-diesel will make its way to refineries in Grangemouth and in Teesside. It will then be blended with mineral diesel. The creation will be a blend of 95% mineral diesel to 5% bio-diesel and marketed under the brand name Bio-plus on filling stations, currently on offer by over 100 such outlets.

This arrangement will increase the bio-diesel's availability as the demand for it is on the increase and customers begin to appreciate its fuel efficiency and environmental benefits. No changes are envisaged to the logistics of the fuel supply chain or to automobile engines. Monthly sales of bio-diesel are almost 1.8 million litres compared with the total diesel sales of approximately 1,700 million litres per month. Based on these statistics, bio-diesel accounts for below 0.1% of total diesel sales and less than 0.05% of total combined gasoline and diesel sales. Argent Energy's first plant has the production capacity of 4.2 million litres per month.

Petroplus, incidentally, is involved in the international refining, storage and distribution of crude oil. It is the leading 'mid-stream' oil company in Western Europe and owns refineries in Antwerp (Belgium), Cressier (Switzerland) and Teesside. Petroplus currently has approximately 60% of the UK's share of the bio-diesel market.

www.argentenergy.com

> *"Producing bio-diesel from these raw materials at this scale has never been done before. We've worked very hard to get the project off the drawing board and turn in into commercial reality. The highest standards of corporate rigour ensure that we operate sophisticated quality, safety and environmental management systems and our bio-diesel meets the European quality standards"*

Argent Energy Chief Operating Officer.

For the EU to meet its 2010 target, it will require the annual production of 18 million tonnes of bio-diesel. The current total EU capacity is 3 million and requires a six- fold increase in manufacturing. Such statistics and the remarks quoted below have undoubtedly encouraged companies such as Argent to commence and expand business. A need and a niche have been identified in the market place and whose fulfilment can lead to major financial benefits as well as environmental credentials.

> *"In the longer term, bio-fuels offer the prospect of truly low carbon transport. The (2003 Energy) White Paper highlighted that bio-fuels were an important potential route for achieving the goal of zero carbon transport and suggested that bio-fuels could account for some 5% of road transport fuels by 2020. Bio-fuels have also risen to prominence in the wider EU context. In May 2003 the EU Bio-fuels Directive came into force, requiring member states to set indicative targets for bio-fuels sales in 2005 and 2010. "*
> www.dft.gov.uk

The EU sponsored research into the manufacture of bio-diesel from tallow and used cooking oil and its subsequent use as a road fuel. The study indicated that this bio-diesel is more ecologically sound than mineral diesel or bio-diesel produced from other raw materials such as rapeseed oil. It further suggested that by substituting this bio-diesel as a road fuel, the Argent plant will displace approximately 200,000 tonnes of CO2 per annum, a major contribution to harmful greenhouse gas reduction.

The fuel is gold in colour with a faint aroma of almonds; it improves engine lubrication and can lengthen engine life. Furthermore, it is virtually sulphur free and burns more completely, thereby reducing emissions. The manufacture of bio-diesel also produces another bio-fuel oil during distillation that is used as a fuel source for the Argent plant. A further by-product is glycerine with a wide variety of uses. A minor by-product is potassium sulphate that can be used as a fertiliser.
www.handsontv.info/series6/04_Energy_Matters

7.3.4. Conclusion

Argent Energy is another organisation that has identified a niche in the market thus unfulfilled substantially by smaller producers of bio-fuel and capitalised on it. Small -scale suppliers allege that they have been penalised by the government.

> *"Companies like Argent are buying in fuel from abroad to refine and are getting subsidies both from local and national governments, but we are not allowed even to bid for government funding for recycling, nor can we get local*

authority waste oils from schools or hospitals. The irony is that the council pays to have it collected, but we don't charge".

(Sundance Renewables, cited in the Guardian, 14th September, 2005)

The company has also been pro-active in its environmental scanning and as well as studying the current and pending legislative requirements, has realised the resultant consumer demand for alternative fuel, one that has been blessed by the EU as fitting the bill. The health hazards of using tallow and used cooking oil as animal feeds also implied that farmers and caterers faced the significant cost of disposing of such waste, another catalyst and business opportunity for Argent Energy. Governmental funding and support unavailable to small-scale operators also reduces competition form that sector. In addition, the company can publicise its environmentally conscious corporate image, establish itself as a pioneer and keep out potential market entrants at least in the short to medium term. That said, Shell has invested heavily in Iogen, an organisation applying an enzyme based process to break down low value lingo-cellulosic feed-stocks, e.g. straw, to create bio-ethanol. However, that is bio-ethanol and not bio-diesel, Argent's main product. In the longer term, technologies such as gasification will potentially produce bio-fuels from a wide variety of wastes, which could have the double benefit of low cost inputs and creating a market for more waste products.

The next chapter will study the case of the so- called ‘self-confessed’ ideologically green companies. A comparison will be made between the category examined in this chapter and the next one.

Chapter Eight

The self-confessed Ideologically Green Companies

Introduction

This chapter examines the cases of companies that have positioned themselves in the marketplace as ideologically green. These organisations' green policies will be investigated in the process, so will their motives in gaining a niche in the green market. Furthermore, they will be compared and contrasted with companies analysed in earlier chapters with varying motives for pursuing green strategies. Among the organisations under scrutiny will be the Co-operative Bank (that participated in an interview for this research programme in 1999 and 2005), Green and Black's Chocolate firm, Lush Cosmetics and Suma Wholefoods Co-operative.

8.1. The Co-operative Bank

8.1.1. History and Background

The history of the Co-op as an organisation began in 1844 when the Rochdale Pioneers – 28 working men opened a small grocer's shop in

Toad Lane (the Old Lane). The year 1872 witnessed the Co-operative Wholesale Society open a Loan and Deposit Department, to become the CWS Bank four years later. Almost one hundred years later, in 1971 the bank was registered under the Companies' Act as Co-operative Bank Limited. In 1974 it became the first UK bank to offer free banking for those in credit. The mission statement was drawn up in 1988 to reflect Co-operative principles. Following customer consultation, in 1992 the bank's Ethical policy was launched. In 1994 it was the first UK bank to offer Customer Service Guarantees. Two years later, in 1996 the Bank announced its Ecological Mission Statement. The year 1997 saw the launch of the Bank's Partnership Approach, as it was about to celebrate its 125th anniversary. The first Partnership Report published and the audit of the Bank's operations carried out in 1998. During the same year the Bank also launches its totally free on-line Banking Service.

The bank's future responsibilities cover the 1999-2001 commitment to assess secondary impact of Service Delivery Channels (The Partnership Report, 1998). The period covering 2001-2003 concentrates on commitment to assess secondary impact of products and services. In short, the last two aim to find out for instance, how many miles the Bank's customers travel as a result of the manner by which the Bank delivers services as well as how many miles staff travel on bank business. A more detailed analysis will be provided later.

The bank employs 3911 (1997: 3983 but no involuntary redundancy is pursued by the Bank). The figures exclude the 100 or so employed at Unity Trust Bank. However, in May 2005, the parent company the Co-op Group announced 600 redundancies at its Manchester head office. The pre-tax profits of for 1998 were £73.6 million, up by 34% from £55 million in 1997. For the second year running CWS had foregone the opportunity to take a dividend, preferring to re-invest these in the Bank's operations.

The bank's 2004 profits stood at £132 million and it believes that 34% of that figure can be attributed to its ethical policy. Interim results announced on 15th September 2005 for CFS reported a 25% increase in half year profits. Operating profits stood at £85.8 million which is £17.4 million higher than the interim profits for 2004. As far as the Co-operative bank itself was concerned, operating profits before bad debts increased by £8.4 million, a 9% increase on the 2004 figure. However, operating profit after bad debts was £60.2 million, which is £5.5 million lower than 2004 as bad debt charge increased by £13.9 million. The impact of bad debts was felt by all major banks and the Co-operative was no exception. However, the increase in bad debts in the case of the Co-op bank only represents 1% of the total loans and advances made to customers. Despite the vetting of unethical customers, even 'the ethical bank' suffers from this problem. The failure of customers to settle debts can obviously be for reasons other than being unethical.

In addition, average retail customer lending grew by 13%, while the average retail customer deposit balances saw a growth of 6%. Operating income grew by 5% and the return on opening shareholder equity, after tax, was 14% for the 2005 interim period.

The number of the Bank's customers in December 1998 stood at 1.75 million (1997: 1.5 million). Since 1992, i.e. the year of the launch of the Ethical Policy, retail deposits have increased from £1,098 million to £6.158 million (461%) and profitability has increased from £9.8 million (1992) to £130.1 million (2003) – a thirteen fold increase. The Bank's representative stated in 2005 that one third of all new customers say their main reason for joining is its ethical policy. He further added that these customers also tend to stay with the Bank longer and take our more accounts. The cost of lost business due to the policy was estimated to be £8.7 million at the end of 2004, he said.

The Co-operative Financial Services (CFS) was formed in 2002 to bring the Co-operative Bank and Co-operative Insurance Society (CIS) under common leadership. CFS has over 7 million customers and in the excess of £31 billion of assets under management. Although the Co-op Bank was probably not regarded as a major player in the financial institutions arena, CFS is one of the larger financial services organisations in the UK. During the 1999 interview, the company's ethical spokeswoman stated that, the Bank seemed to have obtained the optimum size and there were no plans to merge with or indeed overtake another bank. Research results indicated that 70% of the UK public believes that industry and commerce do not pay sufficient attention to their social responsibilities, and that the proportion of people able or willing to name any company that is particularly environmentally or socially responsible is less than 30% (MORI, Summer 2003). The Co-operative Bank seems to have managed to buck this trend (Monaghan, 2005).

The Bank's 1998 Ecological Statement read:

> *"We the Co-operative Bank will continue to develop our business taking into account the impact our activities have on the environment and society at large. The nature of our activities are such that our indirect impact, by being selective in terms of the provision of finance and banking arrangements, is more ecologically significant than the direct impact of our trading operations".*
>
> (The Partnership Report 1998, p 51)

As far as the bank's various reports are concerned, it acknowledges the fact that there has been a surge in ethical and environmental reporting by organisations in recent years. In 2003, 132 of FTSE 250 companies reported on at least one area of social responsibility, up from 105 in 2002. However, it further states that 'there remain some real problems with reporting quality, with just 45 submitting their reports to independent verification and 56 being rated as 'producing no information of substance. (Directions No 3 –Trends in CSR Reporting 2002-2003. Context and Salter Baxter).

Analysis of media coverage, combined with opinion research suggests that the bank receives more positive CSR coverage than any other business in the UK. The bank was singled out for 'communicating clearly its differentiated values' and for the fact that 'CSR was deeply embedded in its strategy' (Echo Research, 2004). Over 5400 media items from a variety of countries and 240 individuals' opinions were sued in this research. The bank's representative commented in 2005:

> *"Every member of staff is fully aware of the Bank's policy. Existing staff were fully trained soon after the policy was adopted and since then it has been included in all induction training. Indeed, many staff are attracted to the Bank because of the ethical policy".*

8.1.2. Findings

According to the bank's 2003 Sustainability Report, high levels of satisfaction with ethical and sustainability performance existed amongst its personal customers (91%) and the figure for business banking customers was 86%. Indeed the bank's customers referred to ethics and sustainability more than any other factor when asked for what motivated them to join and/or continue to remain with the bank. Furthermore, the profitability contribution of these CSR motivated customers was worth approximately £40 million to the bank in 2003.

www.cfs.co.uk/sustianability2003

> *"We believe that as corporate citizens we should play our part in protecting the environment and, of course, was we have a section on the environment within our ethical policy,*

it is important that we are seen to be putting our money where our mouth is".

(The Co-op Bank's representative, November 2005)

Corporate Social Responsibility (CSR) is increasingly applied as an umbrella term for a variety of related approaches: business ethics, sustainable development, social accountability, corporate citizenship, to name but a few. With respect to sustainability, during the1999 interview, when asked if the organisation considered itself 'green', the response was that "*it is not a term we would use. We would use ethical, but we are trying to stay away from that as well...we would use 'socially and environmentally responsible*'".

However, in 2005, it acknowledged the fact that it perceives itself to be a 'green partner' on the author's ladder of green-ness, one rung below 'militant green'. With respect to ethics, its representative, further added: "*the Bank believes it is important that it is not seen as playing God and that a group of managers at the Bank are deciding what is and is not ethical".* This highlights the fact that the Bank continuously consults its stakeholders in connection with ethical and/or environmental policy formation.

Perhaps more than anything else the historical background of the organisation and the basic principles of co-operation shaped its socially and environmentally responsible marketing. Press reports in 2003 referred to the massive loss of funds due to its vetting of 'unethical customers'. Indeed, the costs were £6.9 million and £8.7 million for the years 2003 and 2004 respectively.

Legislation did not seem to have played a significant part in its greening policies in the 1999 interview. However, in 2005 it acknowledged legislation as a major driver of its business policies. Indeed the bank would be legally bound by financial legislation. As stated previously in order to create a link between primary and secondary research, themes covered in the review of the literature were used in interviews. Among these, for instance, were the impact and extent of green marketing drivers. What was the influence of financial or economic gains as a green marketing driver?

> *"The strategy of The Co-operative Bank is simple: it should be a modern bank that goes about its business in a profitable and ethical manner".*
>
> (The Co-operative Bank's Chief Executive)

As the above statement suggests, the Bank's responsibilities require it to make a profit albeit in an ethical manner. Since it is also selective with respect to its customers (in the past those involved in blood sports, for instance, have been turned away) financial gains appear as important as ethics, but not necessarily as a major objective. In short it needs to make a profit to survive, but making profits is not all it exists for. Making profits in an ethical manner seems to be the main business policy, as the Bank refers to '*profiting from our principles*' (the Partnership Report, 1998). It does however, reiterate that '*business should have a purpose* *beyond profit'*, it was also delighted to note that *'our shareholder has decided not to take a dividend but to allow us to reinvest profits in building an even better bank'* (the Partnership Report, 1998).

However, what is beyond disagreement is the fact that as an ethical bank it has attracted customers and investors. Here, to paraphrase Crane (2000), ethical marketing per se is not witnessed, rather it is 'marketing ethics' that is noticed. Ethics is a main Unique Selling Proposition (USP) in the case of the Bank. As mentioned earlier the Bank lost large sums of money by not accepting unethical customers. The Bank is adhering to its core ethical policies such policies undoubtedly would encompass green issues and environmental considerations.

> *"The Bank's ethical policy enables us to target our marketing activities. As a rule of thumb if you ask people in the streets what they think of a bank with an ethical policy, about 10% would be fully in favour. About 80% would be 'don't knows' and another 10% would be opposed saying 'banks shouldn't get involved in politics'. The 10% in favour (our target market) are relatively easy to identify. They tend to be slightly older, in caring professions; doctors, nurses, social workers etc. and they tend to read the Guardian, Independent news papers".*
>
> (The Bank's representative, 2005)

The following quote explains the role of consumer and the society at large in shaping the Bank's green/ethical policies:

> *"We, the Co-operative Bank, will continue to develop our business taking into account the impact our activities have on the environment and society at large. The nature of our*

activities are such that our indirect impact, by being selective in terms of the provision of finance and banking arrangements, is more ecologically significant than the direct impact of our trading operations."

(The Bank's Ecological Mission Statement)

Ninety nine percent of the organisation's electricity supply is from renewable sources. In its efforts to achieve sustainable development contacted the Natural Step UK, a company that was able to identify the minimum conditions for ecological sustainability and audited the Bank's ecological efforts .The following principles are observed for this purpose:

> *" Nature cannot withstand a progressive build up of waste derived from the Earth's crust.*
>
> *Nature cannot withstand a progressive build up of waste derived from society's waste, particularly artificial persistent substances which it cannot degrade into harmless materials.*
>
> *The productive areas of Nature must not be diminished in quality (diversity) or quantity (volume) and must be enabled to grow.*
>
> *Society must utilise energy and resources in a sustainable, equitable and efficient manner."*
>
> (The Partnership Report, 1998, pp 37-51)

The Bank not only decided to pursue the above but also endeavoured to assist and encourage all its partners to do likewise. The above goals could be achieved by the following:

- Financial Services – encouraging business customers to consider their activities' impact on the environment and investing in organisations that are environmentally concerned.

- Management Systems – gauging Bank's own ecological impact, setting clear targets, formulation of action plans, implementation and monitoring of those and then reporting the outcomes.

- Purchasing and Outsourcing – seeking suppliers whose activities are compatible with the Bank's Ethical Policy and Ecological Mission Statement, collaborating with them to enhance collective performance.

- Support – supporting ecological projects, developing alliances with organisations whose output may directly or indirectly contribute to a sustainable society. According to its 2005 Ethics Policy, the bank seeks to support businesses involved in: recycling and sustainable waste management, renewable energy and energy efficiency, sustainable natural products and services, including timber and organic produce, the pursuit of ecological sustainability.

- Legislation – compliance with environmental laws, directives, rules and regulations whilst working on continuous improvement of the Bank's contribution to a sustainable society. The bank's representative said in 2005: *"legislation will continue to play a major role in our policy".* However, the organisation also realised that: *"Our ethical policy is all about the Bank taking a stance against issues which are not covered by* *legislation. For instance, our policy is opposed to fox hunting but of course, this is no longer the same as it was before legislation".*

The organisation's Partnership Reports refer to the Bank's *'partners'*. They comprise of shareholders, customers, staff (and their families), suppliers, local communities, national and international society, and past and future generations of co-operators.

Overall, the importance of the customer to the organisation has been highlighted throughout its existence, not necessarily for ethical or green marketing purposes. It cites its customers as it major driver of ethical and green policies. However, the Bank has been a pioneer in ethical banking and this has been emulated by a number of other institutions. In terms of the possible role played by competition on its ethical and/or green policies it was negligible. *"We are still the only bank in the UK to publish an ethical policy "* (2005 interview).

The Bank's future commitments include, *"using the period 2001-2003, will concentrate on assessing secondary impact of product and services. The last two intend to find out, for instance, how many miles the Bank's customers travel as a result of the manner by which the Bank delivers services…."* (The Co-operative Bank Partnership Report, 1998, pp64-77).

The company highlights the importance of considering customers' wishes and feelings again below:

> *"Every well managed business knows the importance of ensuring that its products and services meet the needs of its customers. But for us, treating our customers as Partners means going much further: listening to their views, and giving them a real say not just in how we invest their money, but in how we conduct our business".*
>
> (The Partnership Report, 1998, p 10)

The Bank is regularly in contact with its customers in order to ascertain issues that are of importance to them especially with regards to ethical and green themes. The Bank's report on customer satisfaction, titled 'Delivering Value' focuses on those issues. Its sister firm the Co-operative Insurance Society (CIS) in a similar manner has announced that it will soon be the first insurance company to incorporate policyholders' ethical views about the companies where it invests for its investment, life and general insurance business. The major issues are:

> "T*he environment, human and labour rights, animal welfare, how things are made and social inclusion. The consensus was that responsible investment and decent returns go hand in hand. The people for whom money came first were in the minority."*
> (The Observer, 22 May 2005, p 4)

The Bank's ethical stance has been "*well received by the general public, leading to business growth in the personal and corporate sectors*". (Williams,1999, p 65). An early 1990s survey of the Bank's customers revealed that 20% had joined it for ethical reasons. The 1980s environmental surge (sic) culminating in a record vote for the Green Party in the 1989 European elections perhaps heralded the expansion of ethical consumerism. Such interest also directed the consumers' attention to companies' environmental performance and similar issues. Financial institutions were not exempt from such attention. Susan George a respected author on Third World debt had made an analogy between bankers and bomber pilots. She had said that bankers hide behind the smokescreen of 'neutral lending decisions' (Williams, 1996).

> *"We are committed to going back to our customers every three or four years. Our policy will be developed in conjunction with our customers' wishes".* (2005 interview)

Further research by the Bank in the early 1990s, as later duplicated by the CIS in 2005, also revealed that many customers were concerned how the banks invested their money. Dominant areas of ethical concern referred to issues such as animal testing, the fur trade, and South Africa as well as certain broader areas such as oppression, nuclear power, armaments and the environment. The CIS 2005 survey puts the environment first. In November 1991 the bank contacted 30,000 of its customers concerning the above issues. Over 90% indicated that it was a good idea for the Bank to have a clear ethical policy. Only 5% thought that ethical policies had nothing to do with banking. The most important issues to the customer were human rights (90%), armaments sale to oppressive regimes (87%), animal exploitation (80%), environmental damage (70%), fur trade (66%), and the manufacture of tobacco (60%). So it becomes apparent that the Bank consulted its customers, listened to their concerns and reacted accordingly. It can be argued that the Bank's ethical policies are a reflection of its ideological strategy forming a part of the value system and organisational stance. It is also apparent that intended ethical strategies, (Mintzberg and Quinn cited by Fill, 2001) have taken into consideration emergent ethical issues and become realised strategies. The fact that in 2005 the Bank attributed one third of its £132 million profits to its sustainability and ethical policies launched in 1992 is a clear testimony to its successful implementation of those policies. There has also been an increase of 29% in the number of loans and savings account customers joining for the ethical/green reasons. (The Observer, May 22, 2005).

Vis-à-vis the role of technology as a green marketing driver, the Bank stated that all of the goals mentioned above could benefit from technology, even compliance with legislation. As a financial institution, however, it relies heavily on information technology to assist it with its ecological objectives. Amongst the detailed objectives that the Bank aimed to achieve, were the following:

Air quality improvement at the Bank, for instance, the elimination of emissions of organochlorine gases from the air conditioning systems at the Bank's major occupancies in line with the phased plan for a re-vamp of the system. The Bank's future plans are to reduce its emissions of CO2 by 20% by 2010 based on a 1997 baseline. The unit of measurement is defined more precisely as 'carbon dioxide emissions per customer per annum'. Needless to say, sophisticated technology must be employed to make such measurements possible.

Improvements in the Bank's printing processes (in-house and out) in the shape of:

a) Identifying the best ecological practice in the area of printing technology, and

b) More thorough review of in-house and third party printing processes

Monitoring water consumption at the Bank's various sites. The intention is to measure the amount of usage and then reduce consumption.

As a financial institution, the Bank would use paper as a basic commodity. On paper purchasing and paper use, an audit was carried out. The Bank's 1998 target to ensure that by the end of that year 50% of all paper purchased was totally chlorine free and 40% was recycled, was not achieved. It was set as 'high priority' to utilise information technology effectively to reduce ecological impact of operations. The Bank is committed to the notion of a paperless office. As a result print volume of plane paper reports have been reduced from 2,080,140 in 1992 to 328,657 in 1997. A survey by Computer Associates suggested that for most organisations, paper production rises by 15% per annum (1997 figure). Furthermore, GreenCat Company Ltd recycled the Bank's spent toner cartridges and the proceeds have been donated to a charity.

The Bank recognised the importance of information technology and strove to reduce the number paper based transactions. Its customers now can undertake financial transactions by means of a whole range of new electronic delivery channels, be it telephone, Skytext or the Internet. The increasing use of 'plastic' money also suggests that the Bank no longer needs as many lorries to carry paper cheques across the country. Reduction in use of paper, petrol, roads, etc. bringing banking into homes could also cater for the needs of the disabled or those without transport.

The 1996 audit of the Bank revealed that, "*like most businesses in the UK, the majority of our fire control systems utilise halons, potent ozone depletors* (*halon 1301*)". The Bank then searched for an ecological alternative and the best available was the Wormald 'Intergen' system, consisting of a combination of nitrogen, CO2 and argon all of which are naturally present in the air we breathe. The installation cost of the Intergen was in the excess of £300,000. However, in the long run not only was this the most ecologically sound technology to be used, but also the most economic solution available, reiterating the concept that green means good business.

Technology has not always been there to assist the Bank with its ecological initiatives. For instance, in its attempts to eradicate CFCs concerning its air conditioning systems, alternatives were suggested largely HFC (e.g. R404a, R134a) or HCFC (e.g. R411B) driven. These chemicals were found to be potent greenhouse gases. Indeed, they were many hundreds of times more potent than CO2. The Bank did not wish to invest in a technology that replaced an ozone damaging system with one that contributed significantly to global warming. The same problem was encountered with the Bank's vending machine suppliers who do not use CFCs, HFCs or HCFCs.

The Bank recognised the heavy dependence of financial institutions on plastic, mainly PVC. Alternative materials were considered and 'Biopol' was selected. It is an alternative, new plastic that is derived from the fermentation of sugar, as opposed to fossil fuels. It is not based on a substance derived from the Earth's crust (e.g. Natural Gas in the case of PVC) and does not result in the production of compounds that nature has little or no capacity to degrade such as vinyl chloride, dioxins etc. Biopol appears to be part of the Bank's long term strategy in its move away from PVC. The Greenpeace Affinity card is one that in 1997 was 0.1% PVC. This is contained in the magnetic strip on the back of the card. (The Partnership Reports, 1997, 1998).

As well as the above initiatives, the Bank's London office receives it energy supply from Thames Water's Beckton sewage Sludge incinerator. This is another step in the right direction to green marketing for the organisation and one that relies on appropriate technology to implement. In November 2005, the 400 feet high Co-operative Insurance tower (the bank's sister company) reopens in Manchester featuring the largest array of solar cladding in the UK, at a cost of £5.5 million. Covered from top to toe in dark blue photovoltaic panels, it will generate 180,000 units of renewable energy per annum, sufficient electricity to make 9 million cups of tea (Aubrey, 2005). The CFS plans to place 24 micro-wind turbines on the roof of its 13 storey Portland Street building, making it the largest ever commercial application of micro-wind turbines in the UK. The turbines are capable of producing 56,000 units of renewable energy annually or approximately 5% of the electricity requirements of the building. Each micro-turbine, of almost 3 metres height is attached to the property roofs and can generate 1KW of electricity and save approximately one tonne of CO_2 per year. The organisation is now exploring the possibility of placing micro-wind turbines at other sites within its property portfolio of more than 200 buildings. The Head of Property and facilities at CFS remarked: " *Embedding renewable energy in buildings reduces the need to buy electricity and I anticipate a payback on the initial investment within around three years"(*CFS Press Office, 4th July 2005)

Have competitive forces in the market place played in major role in greening the Co-operative Bank? The Bank acknowledges the notion that throughout the business world there appears to be a greater awareness that organisations should not exist merely to generate profits for shareholders. It refers to a MORI survey (Partnership Report, 1998, p2) of consumers which suggests that they are making it very clear they want to deal with companies that take a much broader view of what their role should be:

> *"Spontaneously, the main elements of social responsibility continue to be seen as environmental care, employee welfare, community involvement and responsiveness to customers...80% of the public say knowledge of a company's activity in this area is important...almost two thirds believe British industry and commerce are paying insufficient attention to their social responsibilities".*

However, as has been highlighted in earlier chapters, customer belief is not always reflected in behaviour, purchasing or otherwise. That said many organisations have begun to reconsider their priorities. Measures such as Environmental Auditing have gained prominence. Through its evolving Partnership Approach, the Bank decided to address such issues and perhaps by so doing gain a competitive advantage. Amongst its Unique Selling Propositions (USPs) and perhaps the most important would be its Ethical Policy (encompassing environmental issues). In order to achieve this, three areas of assessment were considered by the Bank as follows:

- Delivering Value – by delivering real value to its partners the Bank can ensure survival.

- Social Responsibility – value should be delivered in a socially responsible way. The Bank supports fair trade and labour rights in its dealings with companies and suppliers. It will not support irresponsible marketing practices in developing countries, nor tobacco manufacturers or currency speculators (2005 Ethical Policy).

- Ecological Sustainability – the value of this has been recognised a incorporated into the Bank's business strategy, and is regarded as critical to the organisation's long term success. The Bank will not invest in any business whose core activity contributes to: global climate change, through extraction or production of fossil fuels. The same applies to the manufacturers of chemicals which are persistent in the environment and linked to long-term health concerns. Nor will it invest in the unsustainable harvest of natural resources, including timber and fish.

All three assessment areas mentioned above can contribute to the creation and maintenance of a competitive edge in a fiercely competitive market. At an interview with the Bank's Ethics representative Jack(ie) Middleton, she said: *"We had a look at what our USP was and what came through, through consulting our customers was that we were an ethical organisation….What we had never done was to look at ourselves and realise who we actually were, and our customers told us that*". At the same interview competition was referred to as a driving force towards green marketing. A further driver was the historical background to the Co-operative Movement and one of its off shoots, the Bank. As mentioned previously, in 1974 the company was the first bank in the UK to offer free banking to those in credit which at the time was regarded as providing the Bank with a competitive edge.

The Bank has undoubtedly 'set new standards in social responsibility and ecological sustainability' according to the Independent newspaper. The Guardian also commended the Bank for *"its publish and be damned approach…which other leading companies would do well to follow suit"* (The Partnership Report, 1998, p 5). It appears that the Bank has actually inherited a USP in the shape of its historical background and has built on it ethical standing and turned it into a competitive tool. Such endeavours may attract new customers and retain existing ones. However, they also have the danger of placing the organisation in the public gaze and under scrutiny. Any wrong moves or activities that may be at variance with the Bank's ethical stance would undoubtedly be highlighted and publicised at the Bank's expense. Financial loss may be recuperated over time. Damage to corporate image could either take a long time to repair or may indeed be irreparable. Ethical organisations and those practising green marketing need to stay vigilant in order to maintain their competitive position.

> *"However, it would be misleading to attribute this success simply to the ethical stance. Ethical businesses also have to provide excellent service and competitive products. The Co-operative Bank has a history of service and product innovation….In 1994 its free for life Visa Gold Card (became) the most widely available card of its kind in the whole of Europe".*

(Williams, 1999, p 66).

The extent of the influence of corporate social responsibility as a green marketing driver for the Bank was also examined. The Bank's Mission

Statement commits it to *"act as a responsible member of society, behaving at all times with honesty and integrity".* A 1997 QCL market research based on interviews with 500 members of the public revealed that 70% thought it important for banks to have a clear ethical policy. Of the Bank's customers 90% supported its Ethical Policy (the Partnership Report, 1997, p66).

"We are fully supportive of CSR and indeed have publicly called for other companies to follow our lead", stated the Bank's representative in 2005.

However, the Bank admits that unlike ecological sustainability, there appears to be little consensus as to what constitutes a socially responsible business. It further adds, prior to an organisation's addressing the question of 'what ethics should it embrace?', it needs to consider first 'whose ethics should it embrace?'. The Bank's customers, as mentioned previously, have been consulted in connection with social responsibility since it is their money that is being invested. In addition, the Bank's vets its customers concerning their unethical activities. It appears that the organisation's social responsibility has been subsumed into its Ethical Policy. It is logical and indeed expected to see a connection between the two, as the application of social responsibility by an organisation would require an ethical stance as a pre-requisite. By the same token, no realistic social responsibility or ethical policy could neglect green and environmental issues.

The Bank's social responsibility efforts have been endorsed by the Business in Community (BiC) as follows:

> *"Among Business in the Community's member companies, those that contribute 1% of pre-tax profit to the community are still in the minority. In this light, the Co-operative Bank's level of support is exceptional".*

(Chris Gribben, Business in the Community, as cited in the Partnership Report, 1997, p67).

The Bank produces an annual Sustainability Report aimed at the stakeholders, i.e. its Partners namely:

Shareholders, customers, staff (and their families), suppliers, the communities (in which it operates), national and international society, and past and future generations of co-operators.

> *"Central to the Bank's Partnership Approach is an appreciation of the manner in which the Bank's future is linked to a whole variety of Partners. This includes a recognition of the special commitment in which we are based…(as well as) its charitable aid programme…we look at the other side of the coin – what is the impact on the community of the Bank withdrawing its presence and services. More specifically, what effect has the closure of a number of our branches made on communities in which it had previously operated."*

(Gribben, 1997 p 61)

The environment does play a major part in the Bank's social responsibility agenda. Considering the organisation's charitable support, it had contributed £1.95 million in 1997 to such causes, a third of which aimed to benefit the community. This figure was spent as follows: 30% urban regeneration, 29% education, 28% ecological, 8% social welfare and 5% other.

Amongst the beneficiaries were MacMillan Nurses, Bolton Business Ventures and Sustainable Development in County Durham. Furthermore, since 1990 approximately 10,000 branches of banks and building societies had closed creating a 'class of social lepers excluded from mainstream society' in deprived areas (Brown, 2000). As stated earlier, the Bank noted this problem and was aware of the possible impact on communities. The Bank also recognises that its ethical and social responsibility policies have to be reviewed, modified, updated and re-considered. For this purpose, it is in regular consultation with independent organisations such as Amnesty International, the National Council for Civil Liberties, RSPB, the World-Wide Fund for nature and the New Consumer (Williams, 1999).

The Bank's ethical stance has been further recognised by achieving the Evian Health Award for environmentalism, the British Environment and Media Award for literature concerning the bank's innovative stance, and the British Heart Foundation and ASH (Action on Smoking and Health) Award for its stance against tobacco manufacture and the One World Corporate Communications. (Williams, 1999) .As for its position on the ladder of green-ness, the Bank views itself as a green partner both in

1999 and 2005, rather than a militant green as may be perceived by some observers. It is perhaps more ethically militant than it is green.

8.1.3. Conclusion

The Bank has employed a fairly sophisticated marketing strategy to create and sustain a niche in the market place as an ethical/sustainable organisation. Its Director of Corporate Affairs, Simon Williams, is directly responsible for the development and continuous implementation of its ethical and green policies, reiterating the importance that the organisation attaches to such policies, i.e. at director level and not delegated to some middle or junior manager.

As a financial institution it is in the business of making money, as is any business organisation. However, by adhering to strict ethical and environmental codes of practice it has carved out a unique niche market that provides it with a healthy return. It has tried to remain transparent in its activities and operations.

> *"It is the bank's experience that communicating poor performance makes any good performance all the more believable. Furthermore, by and large, media coverage tends to be fair, if not slightly sympathetic. In total, during April 1988, the bank's first Partnership Report was featured in more than 15 million newspapers and reached more than 9 million TV viewers and almost 3 million radio listeners. This was subsequently calculated to be worth more than £900,000 in equivalent advertising value."*
> (Monaghan, 2005)

Amongst its competitors are the Ecology Building Society and Troidos

Bank and so forth. However, the Co-operative Bank is the major player and the market leader in the field. In comparison with the consumer driven companies examined in chapter 8, the Bank behaves differently in the sense that those were mainly driven by profits albeit in response to consumer demand (some of which could be created by those companies), whereas, the Bank, perhaps due to its ethical heritage has maintained its position. Indeed its nature has also earned it a financially beneficial competitive edge. It states that:

> *"CSR is a core component of its business strategy and communications activities. Like other major components of the bank's customer proposition- innovation and customer service- it has approached CSR with both passion and professionalism...."*
>
> (Monaghan, 2005).

Due also to the nature of its customers' attitude and ethical/green perceptions, the Bank is partially acting in the same manner as those firms in chapter 7. This implies that the distinction between these two categories could become blurred over time. This dilemma will be investigated in the following chapter after examining the case of Green and Black's, the first organic and socially responsible chocolate company in the UK, the Lush Group, an ethical cosmetics company and Suma Wholefoods an ethical workers' co-operative.

8.2. Green and Black's

8.2.1. Background

In 1967 the firm's founder Craig Sams opened the UK's first macrobiotic restaurant, Seed, in London. This was later followed up by the launch of Whole Earth, an organic food company. In 1991 Sams and his wife founded Green and Black's, the first organic chocolate brand, sourcing cocoa from the Mayans in Belize. The year 1994 saw the company gaining the support of Fairtrade Foundation through its Maya Gold. In 1997 Kendal and Beart having sold their Covent Garden Soup Company for £22 million, purchased 85% of Green and Black's.

In 2002 Cadbury Schweppes bought 5% of the firm. In 2005 the company announced that it was buying up the Green and Black's enterprise for an undisclosed sum. Sams the founder of Green and Black's has an impressive ecological background and credentials. His organic, low sugar, high cocoa solids chocolate as the UK's first Fair Trade product is a prime example. He chairs the Soil Association and is a small- scale organic producer.

8.2.2. Findings

The question that has arisen following the Cadbury Schweppes announcement is: was this a sale or a sell out by Green and Black's?

Korten (1995) when examining Unilever's take over of Ben and Jerry's contends that long term orientated, socially responsible organisations often encounter hard times in today's fast paced, often myopic and profit centred economic system. According to this viewpoint, the economic system focuses on the existing value of company shares, which rewards cost efficiency and penalises those that it views as inefficient. Companies that are able to externalise or shift their costs to other parties are rewarded, whereas the socially responsible company is considered inefficient and wasteful. As a consequence, Korten (1995) writes, the company's share price suffers and is labelled as 'in trouble'. He further comments:

> *"With financial markets demanding maximum short term gains and corporate raiders standing by to trash any company that isn't externalising every possible cost, efforts to fix the problem by raising the social consciousness of managers misdefine the problem. There are plenty of socially conscious managers. The problem is a predatory system that makes it difficult for them to survive....They must either compromise their vision or run a great risk of being expelled by the system....Corporate managers live and work in a system that is virtually feeding on the socially responsible".*

(Korten, 1995, pp 212-214)

However, Unilever's offer to Ben and Jerry's consisted of more than $326 million already on the table: a $5 million contribution to the Ben and Jerry's Foundation, another $5 million for a venture capital fund for ethical start ups and a minimum of $1.1 million a year commitment for grants for social change groups. Ian Bretman, deputy director of

Fairtrade Foundation states that when small concerns are purchased by larger companies, they invariably struggle to maintain their cottage industry appeal. He further says: "

> *"I don't feel the same way about Ben and Jerry's since they were taken over by Unilever. Their ad campaigns that suggest that the product is handmade inspire a negative reaction. They are still trying to demonstrate the feel of a small quirky company, but the reality is that they are owned by a huge conglomerate and the product is mass marketed."*
> www.business.timeonline.co.uk

Bretman warns that the newly acquired band will only retain its reputation and value if the larger organisation respects the brand.

The sale of Green and Black's then must have been mutually beneficial to the parties concerned for it to go ahead. Whether the new owners will continue to practice Green and Black's green policies is something that is required to be observed in the coming months and years. Michael Willmott, consumer trend-spotter and author of Citizen Brands comments: "*I am a terrible cynic, but I think these big companies have really understood that this [corporate responsibility] is a really important issue. That's why they're getting involved."* He warns against getting carried away about the conversion of multinationals, and cautions that it is some organisations will just be "sucked in, chewed up and spat out". However, he thinks this unlikely as it would ultimately create an uncaring, unethical corporate image. Mark Palmer, MD of Green and Black's sees it as a misconception that a small brand will be smothered and corrupted by a larger brand purchaser and that Cadbury's would not wish to change a winning formula.

Willmott further states that: *"at one level it's a rather cynical way of leaping on the bandwagon….but I think they sort of understand and that's why they're taking it a bit more seriously. So it's possibly a more long lasting development…"*

www.greenbiz.com

The marketing strategy of Green and Black's has always been to stress product quality before ethical/ecological considerations. Gibbons (2005) a partner at social marketing agency Good Business views this as wise. "*Sams understood there would never be a viable long term market in solely targeting green consumers"* (Marketing, 16 February 2005, p 18). However, the company had been prospering prior to the sale. In 2003-04 retail sales grew by 63% to £13.5 million. Export sales to North America, Australia, Holland, Sweden, Denmark, and Ireland grew by 73% and accounted for 9% of the organisation's total turn over. At its 2004-05 February year end it was forecast to report sales of £29 million. The brand also covers organic ice cream, biscuits and Easter eggs. It had recently surpassed Swiss confectioner Lindt to secure 5.1% share of the UK's tablet-format chocolate market.

www.confectionerynews.com

The sale of Green and Black's seems as a necessity to Sams. He sees this as an investment that may sustain short term losses in order to ensure profits later.

> *"We are bumping up against the available supply of cocoa beans, and we need their help to expand. We have a planting project in Belize to put cocoa beans under the rain forest canopy. That will provide £1 million income for growers there. We 're managing on a shoestring. If we really want to make a difference to the level of operation and really support the farmers there, we need Cadbury's".*
>
> (The Guardian, 16 June, 2005, p 18).

As to ascertain the real reasons behind the sale or the sell out, considering Sams' background it is possible that he genuinely believes that the sale will help the farmers and the environment. This is not, however, reflected in the consumer perception of the brand. Green and Black's has plummeted from third best (just below Traidcraft's ethical chocolate) to the 12th, just above Nestle brands such as KitKat since the sale. (www.ethicalconsumer.org).

> *"When considering a sale to a potential buyer, small firms that trade on their ethical conscience claim for the most part that they are not looking primarily to make money but to develop their product and safeguard the company's legacy. One might question whether it is right to sell to a conglomerate. Most owner managers will reply that selling to a trade buyer with financial clout and experience is far more efficient than floating, which carries a lot of red tape and risk."*

www.business.timeonline.co.uk

Why did one of the world's purveyors of non-organic, high sugar chocolate decide to invest in a low sugar, organic company which employs 30 staff and who is a major competitor? It is possible that the growth in ethical/green purchasing has signalled an expansion area for the firm. Indeed, the UK consumers spent £140 million in 2004 on fair trade products.

> *"Increasingly affluent and health conscious European consumers have begun to opt out for organic chocolate mainly because it has a higher cocoa content than traditional milk chocolate and contains lower sugar levels and no artificial colours, flavourings or sweeteners."* (www.confectionerynews.com)

Such a notion is further supported by comments from the BBC suggesting that Cadbury Schweppes's purchase of the organic chocolate maker Green and Balck's takes place at a time when demand for healthier products is on the increase. It further states that Cadbury's has pledged to run Green and Black's as a standalone company, but said the acquisition would help it expand around the world. The Cadbury CEO comments: *"our businesses share a passion for quality products and ethical values."* (www.newsvote.bbc.c.uk)

Green and Black's CEO more recently commented:

> *"We emphatically do not believe that access to organic food and ethical trade should be the preserve of a small elite. We do not have time for prejudice at Green and Black's and this includes a prejudice that all big companies and the people who work for them are bad. We have checked out Cadbury Schweppes thoroughly and think they score highly on issues relating to responsibility for the communities in which they are operating. In fact they have taught us a thing or two in this area over the last few years"*

www.greenandblacks.com

Multinationals wish to invest in green and ethical market trends and if a well established, green company is available then it makes good business sense to buy the brand rather than create one from scratch. Part of the problem as to why they do not embark on their own ethical and/or green brands is the existence of cynicism about multinationals especially those with a tarnished corporate image. Another problem is the issue of cost. Craig Smith from London Business School sees such efforts as a matter of 'good strategic marketing', i.e. establishing a presence in what could eventually be attractive sectors, in the most cost effective way. Smith further states:

> *" My guess would be that they're hedging their bets at relatively low cost. It can be extremely expensive to create brands like these, and here's an opportunity to acquire ready made brands with the right sort of brand values, a presence in the market and an existing consumer franchise".*
> www.greenbiz.com

A dilemma that can be identified vis-à-vis such deals is the compatibility of the acquired brand with the existing product range of the multinational. Consumers, for instance, may be better disposed towards Heinz's growing stable of 'alternative' brands through its 20% stake in Hain Celestial. Smith sees this as a potential "halo effect". Such an effect could not realistically be detected in the relationship between McDonald's and Pret a Manger. Thus far there has been no presence of the golden arches at Pret's nor any hint of Cadbury's purple intruding on the Green and Black's chocolate brown. In the same manner, General Mills keeps its Cascadian Farms organic line well away from its traditional brands such as Cheerios.

Other examples of such deals have been Seeds of Change that was purchased by the Mars Corporation in 1997; Go Organic's, and Ben and Jerry's take over by Unilever, Back to Nature's purchase by Kraft, Rice Dream and Linda Mc Cartney take over by Heinz, Small Planet Foods by General Mills, Pepsi's purchase of P&J Smoothies, the pioneering organic UK producer, Rachel's Dairy's sell out to the US dairy company Dean Foods, and a socially aware sandwich group Pret a Manger's 33% take over by McDonald's (the Observer, 5 June 2005, and www.greenbiz.com).

In the case of Pret a Manger, for instance, the deal injected around $25 million into the sandwich business as was regarded by some as a Faustian pact. The founder of the company insisted that McDonald's *"money would not be accompanied by fries and Happy Meals or any other transformation of the British chain, except its expansion abroad"*. In 2005, the above mentioned expansion has staled, however, the Pret a Manger's reassurances seem far from hollow. The food has retained its originality, and in fact it is McDonald's that is moving in the direction of healthy eating and not the opposite.
www.greenbiz.com/news

However, Green and Black's success has not depended solely on its green image. It was a combination of quality chocolate that was also produced in an ecologically sound manner with healthy (or at least less harmful) ingredients.

> *"The premium quality chocolate market is growing fast globally, and Green and Black's taste, combined with its organic and ethical integrity, puts it in pole position to benefit from this. With the support of Cadbury Schweppes we will continue the exceptional growth of the brand and establish Green and Black's internationally"*, commented CEO of Green and Black's. www.cadburyschweppes.com

Despite the expected concern about the take over, Green and Black's will have a better opportunity of achieving a substantial level of sales in the context of a larger organisation. For an organisation to influence consumer attitudes and behaviour on a much larger scale it will require mass market penetration. A small specialist, alternative brand, positioned in an ethical or green niche, albeit with access to supermarket shelves cannot realistically expect to achieve mass market success. Should the company remain pure and achieve a large impact on a small scale, or compromise and have a small impact on a much larger scale? www.greenbiz.com

An Office of Fair Trading report relating to the take over explains that the entry and expansion of Green and Black's itself suggests that niche entry in the chocolate and cocoa based beverages sectors can and does occur successfully. Furthermore, barriers to entry for niche, premium chocolate products are relatively low. However, entry barriers in mass market chocolate confectionery and cocoa based beverages are likely to be higher, in particular given the brand strength of the main players. Therefore, the take over would result in the removal from the market of an independent niche player active in the supply of ethical and premium goods. The OFT concludes that the transaction does not result in a substantial reduction in competition. www.oft.gov.uk

8.2.3. Conclusion

The green policies of Green and Black's were highlighted earlier not only in terms of the choice of ingredients but also their sustainability and ethical policies. As far as the ladder of green-ness is concerned it is possible that as pioneers it started life as a militant green, however, following its sale to Cadbury Schweppes, it has moved down at least a rung to green partner or even green advocate. As for the mix of motives to gain a niche in the differentiated market place, Green and Black's motives appear to be to capitalise on ethical/ecological trends in society and offer a less guilt laden product, produced ethically and ecologically, using 'natural' ingredients.

The fact that what they produce, i.e. chocolate, is not the healthiest product available to consumers by any means is viewed with less criticism due to its ethical/green credentials. The company began with green and ethical commitments of its founder members. However, without appropriate financial returns on investment the company would have folded long ago. It was yet again the healthy combination of high quality products and green commitment that resulted in success.

As for the question does Green and Black's behave radically differently to those companies examined in chapters 7 and 8, it can be pointed out that it was not really legally bound to act green (as was in the case of Yorkshire Water, for instance). Was it consumer led like the case of BP studied in chapter 8? It can be argued that initially it was the founders' ethical/ecological espousal that started the business and that they did not really change their operations due to consumer pressure. They had probably through pro-action, foreseen consumer concern and endeavoured to change existing means of chocolate production, which for instance, appeared to be unfair to cocoa farmers and resulted in more harmful and less green products.

As a result of the sale of Green and Black's to Cadbury Schweppes, it can be argued that at least that arm of the multi-national company will have to remain ethical and green as it will be consumer driven. Any radical changes in means of production or changes in ingredients and so forth will undoubtedly lead to consumer backlash and loss of sales. As highlighted earlier since the sale, consumer perception of Green and Black's has changed drastically vis-à-vis its ethical/green positioning in the market place.

8.3. Lush Cosmetics

8.3.1. Background

This Poole based organisation, the Lush Group replaced a mail order company called Cosmetics to Go (part of Constantine and Weir Plc) which collapsed with spectacular debts in 1994. Lush Cosmetics came into existence in August 1994 under the chairmanship of Mark Constantine. It employs 2000 staff and has an annual turn over in the excess of £70 million (the 2003 figure was £29 million). The company is regularly listed in The Sunday Times '100 Best Companies to Work for'. However, the Body Shop has managed to preserve its place in the Financial Times 'World's Most Respected Companies'. It rose one place from fifth in 2003 to fourth in 2004 based on NGO's perceptions.

In March 2001, when the Body Shop was facing financial difficulties, Lush made an unsuccessful attempt to acquire that company. One major reason for the failure was that at the time Anita Roddick, the Body Shop founder had not perceived Constantine to be "ethical enough". She had further referred to the bid as an 'early April Fool's day joke'.

8.3.2. Findings

The organisation's history stretches well over 20 years when its creative team began business by producing hair products using natural ingredients and supplying the Body Shop, from the early 1980s until 1990, prior to the launch of Cosmetics to Go. It had supplied the Body Shop with some of its most successful products such as ice-blue shampoo, orange spice shampoo and a plethora of aromatherapy based cosmetics. Constantine viewed Anita Roddick and her husband as not environmentalists but humanists. He saw himself as the ecological arm of the Body Shop. He states:

> *"They were humanists. Maybe it is more admirable to be a humanist. But the environmentally friendly ideas that were the hallmark of the Body Shop were mine. The thing was that the Gordons (Anita and husband) took those ideas and made them important and special. I loved that business and was influenced by them in every respect".*
> www.lushdns.co.uk

In 1993 Anita Roddick had purchased the manufacturing rights of the latter's products. Mark Constantine, the previous owner had agreed not to open a retail chain for at least three years, using the proceeds of the sale to expand his new business. The ecologically friendly firm operates in 16 countries with 40 outlets in the UK, and 192 stores worldwide (the Body Shop has 2000 outlets in 53 countries) selling fragrant hand made cosmetics based on natural ingredients, essential oils and as few preservatives as possible. Amongst its more popular products are the "bath bomb", fresh fruit based face masks, chocolate covered massage bars and large multi-coloured bars of soap that are cut and wrapped in store. The company has worked hard on its internal marketing which is reflected in its staff's enthusiasm where 90% believe that treating customers well is a strong company principle. Eighty three per cent feel the managers communicate honestly with the workforce. Such communication reinforces company comradeship and strengthens its ecological commitment. Lush Cosmetics' transparency has undoubtedly contributed to the second highest score, i.e. 90% among the top 100 companies 'for fun at work'.

Senior management green espousal is reflected in staff perception where 88% believe that Constantine's strong leadership is "full of positive energy". From a purely business perspective, financial rewards emphasise individual responsibility and teamwork: an increase in the excess of 10% on the previous year (on average a 69% of the time) by a member of staff is awarded by an extra £1.00 per hour. A 50% staff discount of company products can contribute to a healthier and more environmentally approach to self-cleansing.

In 1990, Constantine and Weir plc (the predecessor to Lush) commissioned and published 'Alternatives to Animal Tests in Cosmetic Toxicology – A Review of Development and Validation'. This was a technical submission to the European Commission, in response to its consultation on a sixth amendment to the 1976 Cosmetics Directive 76/768/EEC. This review was instrumental in informing key figures of the promising, non-animal processes that could be developed in order to replace testing on animals. It recommended increased funding and a co-ordinated and co-operative approach to efforts in Europe for such research and the eradication of animal testing. It cannot be regarded as sheer coincidence that public opposition to animal tests for cosmetics has grown steadily over the last 30 years or so (Langley, and Langley 2005).

Lush Cosmetics' key personalities had been involved in the issue of safety testing in the early 1990s and it can be argued that they had identified a market opportunity for the company. It can be further argued that management commitment to ethical issues combined with awareness of future legal requirements to at least minimise animal testing had alerted its key figures to business opportunities in such a niche market. This market had been skimmed fairly effectively by the Body Shop organisation to whom Lush's predecessor was a supplier. The commissioning of the afore mentioned report can be viewed as a proactive attempt to contribute to possible changes to legislation that could not only satisfy the company's management's ethical requirements (albeit to some extent) but also provide an opportunity to develop their business; an example of good ethics meaning good business, perhaps.

The Constantine Weir report was unique in its criticism of the value of the existing animal tests in addition it offered a comprehensive review of the potential non-animal methods. It provided a summary of the research and development status of the non-animal methods and whether they had undergone scientific validation to establish their relevance and reliability (Langley, 1990). This substantiates their ethical commitment, however, business motives could have undoubtedly played a major role. Their efforts paid off and when the sixth amendment to the EU Directive was finally implemented in 1993 it was very different from the early drafts. Increased animal testing had been replaced by a ban on the marketing of products containing ingredients tested on animals after 1st January 1998, subject to the availability of alternative, non-animal methods of testing (Council Directive 93/35/EEC of 14 June 1993, Official Journal L 151, 23.6.1993, 32-37).

As predicted by the Constantine and Weir report, the impending ban had a remarkable effect on stimulating efforts to further development and validation of new, non-animal test methods. Several major companies including Constantine and Weir's either independently or through their European trade association, COLIPA (Cosmetics Toiletry and Perfumery Association) helped fund such research. www.find.galegroup.com

Lush Cosmetics, despite operations in a number of countries, maintains a small business culture and adheres to its original business ecological and ethical philosophy. It is selective in the manner in chooses B2B customers. Its directors still create all the company products and state that they do not compromise on quality. Constantine and his son, for instance, create all the fragrances using natural ingredients such as real jasmine absolute perfume (apparently more expensive than gold) at affordable prices. All Lush products are still handmade, expansion does not result in employing machinery, rather more staff.

The company does not believe that it was modelled on the Body Shop, however, believes that it has taken the environmental and innovation principles to another realm. For example, packaging has almost disappeared. An Arthur D Little manager in Tokyo states that Lush stores tap into a desire not just for shopping that is entertainment, but also for what is "emotional involvement with products". He further says that the products are not bottled up and sealed tight. One can get close to them in a way that is not possible with conventional cosmetics. As far as comparisons with the Body Shop products is concerned, Ms Kanise of the Body Shop Japan comments that her company is distinguished by its social mission and by products that are "easy to use and easy to keep". She contrasts that with the "rawness" of Lush Cosmetics "which are not easy to handle or store in the house". www.find.galegroup.com

Lush cosmetics in relation to its store ambience attempts to portray an old fashioned deli image with wooden-rustic interiors. Furthermore, the quest to use natural ingredients has resulted in the introduction of products such as Aqua Mirabilis bath melt, Utterly Nutterly soap and Tramp shower gel.

8.3.3. Conclusion

Lush Cosmetics is a good example of an organisation that has put its ethical ethos into action and despite a major business failure in the past, has continued with its ethically intertwined business activities. The company pioneers' ethical commitment combined with the ability to 'read' the changes in the market place which have included the emergence of trends, in this case, cruelty free cosmetics, have resulted in a successful business. Lush is by no means the only player in this expanding niche market, the Body Shop tends to dominate. However, its association from an earlier date with the Body Shop has undoubtedly influenced the company's ethical philosophy as indicated by Constantine. Which is essential for survival in this market, however, is differentiation, be it through the products, pricing strategies, company's specific ethical orientation or a combination of factors. How does one firm differentiate if all in the marketplace sell similar products that are not tested on animals?

8.4. Suma Wholefoods

8.4.1. Background

> *" We source everything from power to paper ethically and ecologically. We are the UK's only Amnesty Group with a company status. We were the first company to import organic tomatoes and soup and sweet corn and fairly traded organic pulses. In short it is embarrassing how far our so-called competitors would have to match us, never mind prove a threat".*
>
> (Suma representative, October 2005)

This workers' co-operative came into existence in 1974 through the efforts of one individual who supplied the North of England worker co-op wholefood shops. He operated from his living room in Leeds at the time. Prior to that supplies were only available in London. Due to intense demand the one man business developed into a seven employee firm. Suma was registered in 1977 as a common ownership workers' co-operative Industrial and Provident Society. The organisation had no links with the traditional Co-op shops which had existed since the 19th century. In the mid 1980s the co-op moved premises to Halifax, 'away from the alternative culture of Leeds'. This proved disastrous for the business as it lost customers as well as some members. Having evolved over the years, and through close relationships with co-operatives, the business has entered a new phase of existence in 2000 resulting in 'collective solutions' outside of its co-op. Following a century of ideological separation, the worker co-op and the consumer co-op UK federations combined efforts to create a new Co-operative family of businesses and a new co-operative federation, i.e. Co-operatives UK.

Suma now has a turn over of £25 million supplying approximately 6000 product lines to 2500 customers within the UK and overseas. The organisation, the largest independent wholesaler in the health food and wholefood trade, is wholly owned by its workers, has elected managers and regards itself as a pioneer in democratic management techniques. Its management is similar to other democratic worker co-operatives such as those in the Spanish Mondragon federation. The CEO or the MD of the company is its General Meeting of the members, according to the organisation's website.

The company employs its own fleet of vehicles and carriers and as such is self- sufficient. It believes in the excellence of worker benefits, equality of earnings that tend to be above average for the industry, multiskilling, ethical business, and fair trade.

8.4.2. Findings

The organisation's mission statement is:

> *"To provide a high quality service to customers and a rewarding working environment for the members, within a sustainable, ethical, co-operative business structure. To strive to promote a healthier lifestyle by supplying ethical, eco-friendly, vegetarian products".*
> www.suma.co.uk

Considering the fact that Suma began its ethical/sustainable operations in the early 1980s when topics such as sustainability were not really on top of the societal agenda perhaps substantiates its ethical credentials and commitment. This is also reflected in its operations, e.g. importing fair trade coffee in the early 1980s, a trend that has only fairly recently become fashionable with an increasing number of retailers. The same applies to their sale of organic foods long before their current popularity on supermarket shelves. Furthermore, the organisation prides itself in acting as 'an incubator' for several fair trade products that have since gained prominence and become mainstream grocery items in supermarkets.

Suma declines to stock products of certain countries and organisations with a human rights abuse reputation, amongst which is a multinational company identified by baby milk powder campaigners. Furthermore, it refuses products from manufacturers ranges that do not conform to its rigorous ethical standards. The organisation at an interview in 2005 reported that it exceeds the food industry best practice at 'practically every juncture'. A more recent de-listed major supplier to Suma was Twinnings who had added aspartame to one of its products. This decision was made almost immediately despite the existence of a lucrative market for the said product.

Being highly acquisitive in nature, some of these multinationals require Suma to delist and resource popular products following the take over of manufacturers. Suma is a founding member of the pressure group that was instrumental in alerting the consumers of the possible dangers of GM foods. This ultimately resulted in the withdrawal and prohibition of GM products from their shelves by national supermarkets. As a result of research carried out by the company, one stand alone product proved to be owned by Kraft who in turn are an Altria brand. Altria happens to be the food wing of Philip Morris Tobacco. That information also put an immediate stop to further deliveries of that product. The co-op representative said:

> *" Talking to conventional grocery buyers it is plain to see they think we are insane, but the reason we do this is that trust is one of our USPs, people will pay a premium for the piece of mind we supply along with good products."*

The organisation differentiates itself from the competitors by avoiding the 'pills and potions' approach to healthy eating which in Suma's opinion "underpins their dubious efficacy despite their high profit margins." It does, however, support bona fide alternative remedies.

Suma does not view itself as a 'militant green' due to the fact that it is still using far too many food miles. That said, the firm uses renewable green energy and has a wood planning scheme that aims to offset the CO_2 emissions of its fleet by 2012. By that date it is envisaged that this co-op will be carbon positive, as opposed to carbon neutral. A survey carried out by the Ethical Consumers magazine (the Guardian, 8th November, 2005) placed Suma's RSPB organic rice at the top in the ethical shopper's list. This product is the result of a joint venture between Suma and the RSPB. The short grain rice supports organic farming in the wetlands of the Ebro Delta, in north- east Spain, preserving the habits of birds such as black winged stilt and flamingo. Ten pence of the price of the product sold is donated to the RSPB. This donation may not appear as overtly generous. However, since RSPB is practically the rice producer, a higher slice of the pack price is earned by that organisation.

> *"The distinction between ethical and environmental are also blurry, you can buy organic cotton from India which doesn't use the rapacious agricultural practices that have cost the American soil so dearly. Lovely you think, I can sleep in my crisp organic cotton sheets, until you find out that the majority of people who work the looms to make your lovely organic cotton sheets are under twelve, sold into bonded labour (read as slavery) by parents literally too poor to feed themselves."*

(Suma representative, October 2005)

The assessment of the effectiveness of the organisation's ethical and green policies is regarded as a difficult task. This is due to the fact that organisational decisions are based on specialist knowledge and information gleaned from the world market. Suma stopped stocking organic products from China as certification proved to be questionable and unreliable. Despite having access to the same market intelligence, at least three of Suma's competitors still continue to sell those goods from China. One company representative said:

> *" ...although this is still entirely legal, we would question the ethics of profiting from a premium price of an organic product when its premium quality is questionable".*

With respect to the importance of corporate social responsibility, Suma had a cynical view on CSR. It was stated that when using Google to check CSR one would find Kellogg's on top of the list. That to the co-op seemed inappropriate. However, it sees CSR as the process that a firm goes through as a business to assess and repay its social and environmental debts that incur as a result of its operations and activities.

8.4.3. How is Suma Managed?

The General Meeting of the members agrees strategies, business plans and majority policy decisions. Such meetings take place 6 times a year. The GM decisions are mandatory on all members. Six of the GM number are selected to form the Management Committee (MC) during whose weekly meetings the business plan and other GM decisions are implemented. MC members act as Suma's elected directors, appointing company officers, personnel, operations, finance, and function area coordinators. Company officers who act as executive managers of

Suma participate in the Management Committee, but have no vote. The non-executive (elected) directors have the authority and power and not the executives. This prevents the executive running the organisation for its own self- interest.

All Suma staff, member, employee or casual, receive the same daily net wage plus allowances and overtime. Job variety is emphasised within the firm, drivers will drive for a maximum of 3 days and then be employed in the warehouse or office. Office workers are required to perform manual tasks for a minimum of one day a week. As employees of a workers' co-operative such a programme of employment is not perhaps completely unexpected, however, it does possess unique elements within it which are not noted in the majority of co-ops that are customer owned.

However, since the joining of forces with the customer co-ops in 2000, Suma is pioneering inter-trading between the worker co-ops and the larger consumer co-op societies, i.e. The Co-op. Furthermore, a study is underway to investigate the possibility of closer relationships and new forms of co-operation with the Co-operative bank and the Co-operative Insurance Company. The combined resources as well as the shared ideology could provide the two groups with a substantial business potential. As a 'backlash to rapacious global capitalism', Suma believes that in the UK and Europe, interest in co-operatives as an alternative, socially responsible business form is on the increase.

The next chapter will analyse the results of the previous three chapters where particular attention will be paid to distinguishing claims and practices towards green marketing in relation to its drivers.

Chapter Nine

Evaluation of the Green Marketing Drivers' Model

Introduction

This chapter aims to evaluate the Green Marketing Drivers' Model and assess the extent of influence of those drivers on individual organisations used in this thesis. During interviews and liaison with a number of companies attempts were made to identify the major catalysts for those organisations' green marketing policies.

The multi-dimensional, inter-related model of drivers of green marketing will be re-visited in order to establish the individual organisation's response on a micro level and to assess each driver's significance. It can be argued that a number of organisations while seeking to satisfy a requirement, be it legally imposed or management espoused, and so forth, can simultaneously and perhaps unintentionally achieve further/other objectives that were not necessarily on their agenda. This could make the task of pinpointing organisational green marketing catalysts perhaps more difficult.

The model's major components are as follows:

- Compliance with legislative/legal requirements
- Competition driven/Competitive advantage
- Corporate social responsibility/management espousal
- Customer driven
- Economic/financial gains

9.1. Compliance with Legislative/Legal Requirements

Unless an organisation is willing to run the risk of legal penalties, every company would be expected to observe the minimum legislative requirements, although there are invariably some exceptions. This category considers the organisations that view legal requirements as their major green marketing driving force. Certain industries due to their nature (e.g. chemicals companies, food and drinks producers etc.) are expected to adhere to more strict or higher number of regulations

GWP Chemicals that participated in the first interviews in 1999 cited central government legislation as its main green driving force followed by consumer pressure and competition. That company's adherence to legislation did not go beyond compliance. Amongst its major requirements were addressing COSHH (Control of Substances Hazardous to Health) and CHIP (Chemical Hazard Information and Packaging). Being reactive rather than reactive to green issues, the company did not view itself as green, rather environmentally concerned/aware, a rather vague term. It would only produce green goods if only its customers demanded (which had at the time not taken place). Due also to mere compliance with legislation GWP considered itself as definitely being in the infancy stage of any greening life cycle.

Clariant is another chemicals company that cited legislation amongst (but not the only major one) its green drivers. The effect of legislation and the array of rules and regulations have had a major impact on the organisation. However, in contrast with GWP this organisations goes beyond compliance which is translated into action vis-à-vis its products, production methods and energy use and so forth (as highlighted in earlier chapters). Local, national, international and EU imposed legislation tend to exert a great deal of pressure on the company, amongst which is the PPC (Pollution Prevention Control). This particular piece of legislation was mainly based on the British IPC; such laws had developed from earlier British regulations, perhaps underpinning the strict nature of national regulations. As well as the indicators used by GWP Chemicals, Clariant also employs ESHA (Environment, Safety, Health Affairs) Key Figures (i.e. performance indicators). Data relating to energy use, water usage, emissions and so on are collected and analysed and compared with set targets. The company stated that these targets tend to become more strict and refined every year. Targets for 2010 will be set under the banner of Responsible Care which is an agreement between the chemicals industry and the national government on planning and control. Reduction of emissions, improved energy and water usage efficiency are amongst the set targets.

Yorkshire Water (YW) placed a great deal of emphasis on the role played by legislation especially emanating from the EU in the form of initiatives and directives. The following were used as examples:

- Urban Waste Treatment Directive
- Hazardous Waste Directive
- Waste Packaging Directive
- Habitats Directive

This point was raised both in the 1999, 2003 and 2005 interviews with the Directors of Health, Safety and the Environment. The EU was regarded as the primary legislation generator for the water industry. The Member States are required to put into national legislation the contents of the directive within two years.

Reference was also made to the legislative cycle. The legislation was there and the organisation had to abide by it. The company representatives stated on more than one occasion that there exists no legislation that requires the company to be sustainable and act green.

The role played by the society/customers had become more significant over the years. However, it was envisaged that such concern would eventually subside as the quality of drinking and bathing water becomes much more acceptable. Industry nature did also act as a major green marketing driver during both interviews.

During the interview with Yorkshire Water in 1999, the Head of Safety, Health and Environment said that it is in the organisation's nature to be green and environmentally concerned.

Exceeding compliance with legislation may provide it with environmental and ethical credentials that can be beneficial to the company in the short and medium term, and perhaps even in the long term. However, it has also realised that as with the some other organisations analysed earlier, once the greening of the company begins, there is no going back. Indeed it may be easier not be green and cope with possible criticism than become green and be under public scrutiny and investigative journalists' spotlight. Some companies due to their nature are required to be green.

Is the company green out of ideological convictions? The simple answer would probably be no. YW as with any water company has to maintain a sustainable system that not only provides healthy drinking water but also disposes of effluent. Although the company's water quality has improved somewhat in recent years and that it does employ a number of environmental and sustainable strategies, these tend mainly to be out of legal compulsion and not necessarily senior management driven.

9.2. Competition Driven/Competitive Advantage

Although **Clariant** had cited legislation as a main green marketing driver, competition was also viewed as being of major importance in this respect. Its Environmental Policy document states that the company is "*...committed to protecting the environment and to at least match the standards set by comparable companies".* The organisation's Health, Safety and the Environment Director said in the 2003 interview: " *I think everybody would like to go round and say that competition has not influenced their ethical/environmental policies. I don't think we get more pressure than anyone else. I think, however, we have influenced our competitors. I think we do it to each other. I wouldn't say we're more influential than others*". Competition, therefore, can act in a reactive or indeed pro-active manner as a green marketing driver.

Although in the case of the **Co-operative Bank**, it is corporate social responsibility or management espousal that drives the organisation's green and ethical policies, it cannot be denied that the Bank has achieved a distinct competitive advantage due to its ethical/environmental policies. Many of its customers have cited its policies as a major determinant in selecting the bank and/or maintaining their custom. The same could also apply to **Suma** Wholefoods. **Argent Energy** is certainly a company that is in the process of achieving a competitive advantage in the renewable energy sector due to its pioneering activities in the field. Its success will undoubtedly attract competitors. In order to maintain its position, Argent Energy will have to remain innovative as the market will then be competition driven as every firm will strive to gain a competitive edge. To some extent the same situation could apply to **Lush Cosmetics.** That company offers environmentally responsible products and uses that policy as a USP (unique selling proposition) and thus a competitive edge. However, in a market dominated by the Body Shop and an increasing number of similar firms operating in that field, Lush Cosmetics is driven by competitive forces in order to maintain its current position. It has to convince customers that its products are superior to those of competitors and/or highlight and substantiate its commitment to caring for the environment, not merely in the form of offering green products but in a holistic manner.

9.3. Corporate Social Responsibility/Management Espousal

Amongst the organisations that would refer to this driver as their main green marketing catalyst are the Co-operative Bank, Suma Wholefoods and Lush Cosmetics. As far as **the Bank** is concerned, its major driver is a combination of its origins and management commitment. It is certainly an organisation that is green out of ideological conviction. In response to how far it would be prepared to sacrifice profitability in the interests of pursuing green and/or ethical marketing, its consistent refusal to accept 'unethical' and 'environmentally ' suspect customers is a clear testimony to that sacrifice. The Bank has lost a great deal financially in order to maintain its ethical and stance. For an institution such as this with an ethical background and history, it would be highly unlikely and indeed unwise not to continue on the ethical and environmental path. From that perspective it is social responsibility that is its single most important green marketing driver. That too is applicable to Suma Wholefoods. As far as Lush Cosmetics is concerned the founder's background and dedication to ethical and environmental issues support such a claim. The company may be over-shadowed by Body Shop, however, they are both driven by their founders' ethical/environmental philosophies and their implementation throughout the companies' various operations and activities. Both insist that such ideology is shared and 'owned' by staff and company workers.

Suma Wholefoods co-operative's history is intertwined with ethical and ecological activities and it has endeavoured to remain to true its roots and values. As a wholefoods pioneer it has been emulated by larger companies in recent times, however, due to its strict ethical and green commitment it has maintained its competitive position in the market and acknowledges consumer trust in the company as its main USP (unique selling proposition), something that not every competitor has managed to establish long term.

General environmental forces that include technology, climate, culture, politics and economics were instrumental in shaping Suma's ecological and ethical policies.

> *"The influences of this particular group, is obviously very prominent. The backbone of our business is the import packaging and distribution of organic commodities in a sustainable environment…start messing with any of the above list and the vectors change, e.g. a cultural and economic change in India over the last few years has meant that the humble hazelnut has the power to start a war. (China accuses India of buying half the world's crop to artificially panic the market in order to influence the price and in retaliation closes its doors to dried fruit exports to India and the est. We are forced to buy inferior Turkish fruits, causing product recalls and a dint in our reputation)."*

(Suma representative, 2005)

What the organisation does not communicate is the major influence that consumers have on forming its policies. In addition to members' ethical and environmental commitment, without the existence of a loyal customer base Suma, or for that matter, any organisation would fail eventually. Ethics alone will not attract customers. Reliable, trusted high quality products that are produced and sold by an ethically renowned company that ensures due care to the environment and the eco system are observed can attract and retain customers.

9.4. Customer Driven

Although with respect to the degree of impact of the green marketing drivers, **Clariant** referred to compliance with legislation, it stated that customer preference was more of an influencing factor. This in no way implies that only lip-service is paid to regulatory requirements but that customer satisfaction is at the forefront of its operations. It may be assumed that compliance with legislation is seen as part of that satisfaction. On a second visit to the company in early 2003, the above drivers' influence was reiterated. The organisation is firmly committed to continuous environmental improvement and this is reflected in the manner in which the board of directors shows a keen interest in ethical/environmental issues. Various auditing and inspections ensure policy relating to environmental protection is closely adhered to.

It can be seen that the organisation is still very much pro-active in its environmental efforts as it was noted during the 1999 interview. However, not much stress was placed on legislation in 2003 as a green marketing driver apart from indicating that in some places its internal regulations are stricter than the statutory requirements. A similar emphasis is laid on stakeholder requirement as before, while a more recent driver appears to be competition now. Clariant is developing a sustainable, future-proof, 'cradle-to-grave' ESH approach in the whole business process. Its 'Integrated Product Policy' covers all parts of the process: from obtaining the raw materials, through manufacture and distribution, to use and ultimate disposal.

BP is certainly not a company that is green out of ideological conviction. The only time it could be accepted in that category would be when and if it turned all its attention and efforts to renewable energy and ceased to operate as a major oil producer.

How far would BP be prepared to sacrifice profitability in the interests of pursuing green marketing strategies? The company has invested in green marketing whether by means of funding research at universities or otherwise. However, without the promise of future financial returns, it would not realistically invest heavily in green marketing. It is aware of the fact that fossil fuels have a limited life and that there will be (and indeed there already is) a scramble to find alternatives. By employing effective business strategies it is investigating the feasibilities of such alternatives and in the process is attempting to create and sustain a green image.

9.5. Economic/Financial Gains

This is one driver that could apply (to a varying degree) to all the organisations that participated in this research. Regardless of the extent and depth of any company's commitment to green and ethical issues, if the company's green policies do not result in financial (or other benefits) then they will not be seriously considered and implemented. That is why cost benefit analysis at the outset is a basic requirement for considering any green/ethical policies by any company. No company in its right mind would invest heavily in such policies if there were no indications of pay back in the short term or the long run. Pure evangelical dedication to social responsibility without commensurate economic benefits would spell catastrophe for any firm, even charitable organisations are required to cover costs and make a profit.

For example, how far is it possible to distinguish **YW**'s claims and practices towards green marketing in terms of its drivers? The company puts across a green image to publicise its commitment to safeguard the environment almost as an ecological champion. However, beyond the green veneer is a privatised company that strives to make a profit and keep its shareholders (and other stakeholders) satisfied. As emerged from the interviews with the company the major green driver of YW is legislation and as a utility company it is legally bound to provide a green product.

How far would YW be prepared to sacrifice profitability in the interests of pursuing green marketing strategies? For such an organisation with financial muscle, it would be feasible to make short term financial sacrifices in order to gain long term green marketing gains. In practice, as reiterated by its directors the company's responsibility to its stakeholders (including shareholders) requires YW to make safe and sound investments. What possible gains might be for the company in pursuing green marketing strategies beyond compliance with legislation? Does achieving an environmentally concerned reputation lead to a corresponding increase in share value? Furthermore, would the practice of green marketing attract new customers? Unless and until there is a financial incentive YW would not realistically sacrifice profitability in the interests of pursuing green marketing. Indeed, the same could apply to all business with perhaps the exception of a minority of organisations that are green out of ideological conviction.

GWP Chemicals was fairly candid about its position. It stated: *"we produce green products only if and when it is a commercially viable proposition…".* **Clariant** firmly believed in the absolute compatibility of economy and ecology. It further added that ethical and green policies are in the company's benefit as they would attract customers (i.e. financial incentives), *"…if we don't look after the environment we won't be able to look after our shareholders.."*. Even as an ethical bank the Co-operative Bank's strategy is "…to be a modern bank that goes about its business in a profitable and ethical manner". It also refers to 'making profits from our principles'. It is not ethical marketing per se that is applied it the Co-op's case, rather 'marketing' ethics to make a profit.

CHAPTER TEN

CONCLUSION

This thesis set out to evaluate the extent and degree of influence of ethical and green issues on organisational management decision making. This was proved to be the case to some extent. In addition a number of objectives set out at the outset were achieved by means of an in-depth review of the literature and primary research (carried out in 1999, 2003 and again in 2005). A critical evaluation of marketing ethics and green marketing was carried out. A more comprehensive understanding of the term green marketing was developed. It became evident that the term green covered a wide variety of components a most notable being sustainability. Furthermore, the development and evolution of environmentalism over the decades was examined in some length referring to major catalysts that have been instrumental in its growth. An in depth review of the available literature provided a number of plausible answers to questions vis-à-vis the topic under investigation. The thesis covers a selection of the most relevant and appropriate material with respect to literature relating to green marketing.

A number of models were developed by the researcher in order to complement the contribution to knowledge in this field. At the outset a model illustrated the link between business ethics and one of its branches green marketing. The model suggests a link between the vision of an organisation and its mission, whereby the vision is translated into the company mission. As such the mission should clearly reflect the organisation's vision. Emanating from the company mission, amongst other components, will be business ethics or its more popular title CSR; a branch of which can be regarded as marketing ethics. This suggests that CSR should be holistic and company wide and not merely the domain of the marketing department or marketing function. In addition if it does not emanate from the board level it may not be taken seriously and be regarded as a cosmetic exercise or window dressing. Marketing ethics itself, it is suggested is then subdivided into green marketing (amongst other elements). Since marketing is a multi-faceted discipline that encompasses a variety of activities, green marketing too can consist of sub-divisions and branches. Therefore, it can be argued that every marketing activity has a green and/or ethical potential as discussed in some depth in earlier chapters. The development and evolution of marketing over the centuries was discussed in some detail. A brief mention was made of the chief executives' perception of marketing and how that negative view could be altered by means of considering a number of imperatives offered by The Marketing Society. Every participating organisation in this research that claimed to practice green marketing had a senior member of the company usually at the board level who was directly or indirectly responsible for green policies. For instance, the Co-operative Bank 's Director of Corporate Affairs was directly responsible for the Bank's ethical and green policy development and implementation. Furthermore, the application of green policies went beyond mere marketing or production activities and in cases such as the Co-operative Bank the holistic approach to greening the organisation was very much evident. In the case of Suma Wholefoods, for instance, due to its management philosophy and role rotation policy green strategies are again applied at the senior level encompassing the entire organisation and its operations and activities.

Another model that the author had used referred to the ladder of greenness. This again was intended as a contribution to the existing knowledge relating to green marketing. Each rung of the ladder, starting from one extreme, i.e. militant green and ending in the other extreme, i.e. anti-green explained the various conceptual frameworks of individual consumers as well as organisations vis-à-vis green issues. Interestingly no single organisation that participated in this research perceived itself as militant green despite their green credentials. The term green advocate or green partner appealed more to the participating organisations as a whole. As for its application to consumers, organisations are required to formulate and implement strategies that would ultimately turn every suspect green at least to a green customer. By working on their green marketing strategies the green customer would then become a green client and in an ideal market, a green partner.

Furthermore, the model of green drivers being instrumental at steering companies in ethical/green directions was tested as part of questions posed to participating companies as well as information obtained from case studies. Although the researcher treated each driver with an equal amount of importance, legal/governmental drivers were the most important of such catalysts. Others such as economic and competitive drivers were also of influence. Business strategies and the relationship with green drivers were discussed in some detail in chapter nine with particular reference to participating organisations in this research. Organisations that are legally bound to practice green marketing were examined to ascertain their genuine motives. Customer led companies that apply green strategies to their operations and practices were also analysed. There have been clear indications of the greening of customers and their purchasing powers as well as their growing suspicion of companies' green claims. This has necessitated the creation and sale of genuinely green products that have been produced in an environmentally concerned manner. 'Green-washing' has been used as a term to highlight the wide array of disingenuous products being offered to the customer as a green product. The dearth of customer education (in green issues) in some cases, in addition to the absence of impartial accrediting bodies that could provide companies with 'green points' and which can be trusted by consumers have undoubtedly contributed to the present day customer suspicion. One example highlighted during the interviews was, for instance, the case of air transportation of products from third world countries with the aim of providing financial assistance to poor farmers while simultaneously damaging the environment due to long haul flights. A further point that became evident was the low quality image of green products amongst consumers. Marketing consultants such as Ottman (2005) reiterated the importance of high quality, reasonably priced, accessible products that also are green. Technology and technological advances proved to be a useful vehicle for introducing green polices by companies. Organisations such as Argent Energy are already reaping the benefits of so doing. Pro-active companies used green marketing as a competitive tool and Toyota company's Prius was mentioned as an example. Regardless of the type of green driver, companies are advised to consider expenditure on green policies as a long term investment and not a cost. Indeed businesses require profitability to survive and prosper, a green business decision that can result in financial and other benefits should be considered seriously by an organisation. A variety of factors such as market demand, industry nature and results of CBA and triple bottom line analysis and the application of the CERES Principles could assist management with such decisions.

Finally, the so called self-confessed green companies were studied to assess their green policies. The Co-operative Bank, Suma Wholefoods, Green and Black's , Lush Cosmetics, Argent Energy were amongst such firms. Both due to their green and ethical credentials have a loyal customer base that contributes to the firms' survival and long term prospects. They all possess management philosophies that drive them in a green direction. Companies such as Yorkshire Water that are compelled by legislation to be green used its compliance with legislation as a means of promoting their green and ethical corporate image. The Co-operative Bank on the other hand has created an ethical and green niche in the banking market that provides it with economic gains and a well established image amongst the banking sector. On a smaller scale green and Black's Chocolate, Suma Wholefoods and Lush Cosmetics could be found, all of which depend heavily on their corporate image as a major marketing vehicle. That said their product quality complements their green credentials.

Although secondary and primary research indicated that there had been a change in the behaviour of organisations vis-à-vis ethics in general and green issues in particular, whether voluntarily or otherwise, no large- scale paradigm shift was detected. There were changes in attitude and more noticeably behaviour amongst companies that required nurturing and developing. A number of organisations are at the introduction stage of their green marketing life cycle and teething problems can be expected. It was also noted that the environment is now regarded as important as health and safety at work by corporate management.

> *" But although business ethics appears to have made significant inroads into teaching and research at universities, although consumers and investors appear to shy away from companies with questionable business practices, and although companies appear to have institutionalised business ethics in the form of codes of ethics, policies, procedures and training, there still*

appears to be a widespread ignorance of and scepticism about business ethics. Not surprisingly, marketing ethics, a subset of business ethics, is viewed very much in the same light."

(Schlegelmilch, 1998, p 4)

The increased prominence of marketing ethics and green marketing amongst academics is not yet fully reflected in society and business organisations. Despite the efforts of a number of companies to introduce green marketing or corporate social responsibility, authors such as Kilbourne (1998) and organisations such as Christian Aid (2004) appear sceptical about the true motives behind such policies. To some organisational green marketing is seen as *"considerably short of what would be considered truly green marketing since they are primarily managerial strategies to increase sales and (are) only secondarily green"* (Kilbourne, 1998, p 642). However, some of the results of primary research carried out for this work challenge such pessimistic views.

Case studies constructed around the organisations interviewed for this research work indicated that green issues have made a considerable impact on their activities and will continue to do so. However, to refer to the green marketing drivers model for the last time, it was the power of the driver that swayed an organisation to seek a green path. A minority were determined to practice and continue practising green marketing due to company history and managerial philosophy. The majority however, did so out of compulsion be it legally or in response to customer demand and expectations. Competition played a role in some cases as a green motivator.

The post-Enron, post-Ecom era has added an extra dimension to consumer scepticism and lack of confidence in large corporations. If such companies cannot be trusted to keep their books in order, how may they be expected to save the world?

To some observers attention to ethical, moral and green details may not herald a universal paradigm shift, however, they have gained prominence over the last few decades and seem to continue to gather momentum albeit at a steady pace. Governments too have noted these attitude and behaviour changes and as a result have taken action in the shape of rules and regulations. Certain organisations whether voluntarily or involuntarily, have chosen green marketing. The many possible benefits of such a choice have been analysed in earlier chapters. Green/ethical policies will eventually become custom and practice for companies. In the long run, one may expect the universal application of such policies, when they become mainstream and not exclusively applied by certain industries, more of an imperative than a gesture.

Green marketing encompasses more than an organisation's claims. While caring for the environment is an organisational responsibility, consumer demands could lead to environmental problems. Even today's sophisticated consumers' actions are not always translated into behaviour that favours ethical and/or green organisations and penalises unethical and environmentally careless ones.

It is the duty of the marketers to incentivise and educate consumers to behave and purchase in an ethical/green manner. Consumer sophistication has also resulted in their cynicism of green claims. Many treat such claims with scepticism and the onus is on marketing managers to dispel that suspicion. This has made the green managers' task even more difficult. To quote Ottman (2004) the following tasks have to be carried out concerning consumers*: "to educate, personalise, be up beat, and to bring it home.*" In addition, management must ensure third parties' blessing in relation to their eco-credentials. This could be in the shape of enlisting environmental groups, and international standard setting bodies. Only then might the consumers view the organisation's green offerings with less suspicion. Numerous obstacles have to be dealt with before ethical and green marketing becomes mainstream and accepted by companies and consumers alike. Kotler (2003) refers to three such problems as:

- Overexposure and lack of credibility
- Consumer behaviour, i.e. the refusal of some to pay premium prices for environmental benefits only
- Poor implementation

Further advice is provided by Ginsberg and Bloom (2004, p 79):

> *"....because consumers buy products and services primarily to fulfil individual needs and wants, companies should continue to highlight the direct benefits of their products. They should continue to tout the traditional product attributes of price, quality, convenience and availability and make only a secondary appeal to consumers on the basis of environmental attributes ".*

Directions for Further Research

Following the analysis of 95 empirical studies on corporate social performance and financial performance by Harvard and Michigan Universities it emerged that approximately nine times as many studies indicated a positive relationship between CSR and financial performance as those that suggested a negative one. At a glance, this implies that CSR (and environmentalism) pays in the long run.

> *"Nonetheless, its should be noted that the difficulties of conducting such studies (CSR and environmental) are huge, and even these encouraging data should be taken with a gain of salt. Hundreds more studies may be necessary before we can claim on the basis of research that corporate social responsibility (and its sub-set environmentalism) pays."*

http://news.ft.com/cms

Green marketing is a rapidly expanding and fast changing field. Any research work is limited to the available time and resources and this one was no exception. Not every solution to each marketing ethics or green marketing question was provided here. Any further research in this field should be examining a wider array of approaches to marketing ethics and green marketing under different guises and in different forms and shapes. One suggestion to future researchers would be to focus on the sustainability area. The issues surrounding sustainable development and the practicality of such approaches could also provide scope for research. Another theme could be consumer behaviour and green issues. The changes in society and consumption patterns affected by green issues could then be investigated. Furthermore, the task of differentiating between cosmetic approaches from sincere committed efforts will not be easy, however, it requires research, highlighting and publicising.

As stated at the start of this chapter, this thesis is the interpretation of the author covering a specific period of time. A wide variety of resources were employed to prepare this personal interpretation, however, this work was not intended as a cure all or one that provided answers to every ethical and/or green marketing questions and dilemmas.

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Green Marketing Questionnaire – 1999

1. Do you consider your organisation to be green?

a) If no, for what reason?

b) If yes, why and how?

c) What exactly do you understand by the term green?

2. In case of (b) list the influencing factors. Is there an order of priority/importance, chronological order, reasons?

3. If not listed above, what role if any, have any of the following played in greening the company:

consumer pressure
legislation- central government
local government
EU initiated: directives or other, please specify

(Names of national and local authorities that govern the company's operations
Registration of environmental legislation with which the company complies:
Titles of regulations on air emissions, effluent and others
Testing items and standard levels
Obligations to environmental monitoring and measurements within the company)

Competitive driven
Technology driven
Staff initiated
Management espoused: single individual or a group?
Pressure group influence
Other – please specify

If a combination of above, which ones and why?

4. How long has the organisation
been green?
striven to be green?
attempted to be seen green?
(select appropriate answer)

5. At what stage of lifecycle is your organisation's green marketing?

6. What are your organisation's (written and/or unwritten) environmental protection policies? Please give examples.
Comment about:

a) boiler and incinerator:
emissions rate of gas from stack
measured levels of pollutants in gas during last 3 years
facilities attached to boilers or incinerators for removing pollutants, e.g. desulphurisation, denitration, wet scrubber, dust collectors, etc.

b) other air pollution sources, reactors, dryers, vacuum pumps, exhaust fans, etc.
by-products, unreacted residues, solvents, etc in emission gas
facilities attached to outlets for removing pollutants.

7. How is water pollution controlled in your company? Effluent discharge to rivers, streams, lakes, canals, sea, sewers, channels, other water bodies, or underground?

(Possible to provide details such as:
effluent from site to outside, volume of effluent per day
effluent discharge to underground a) means of discharge (infiltration), b) volume of effluent per day
effluent (waste water) treatment facilities at company's disposal, e.g. clarifier, sedimentation tank, coagulating sedimentation tank, neutralisation equipment, filtration equipment, biological treatment facility, aeration tank, adsorption equipment, permeation equipment, concentrator, etc.
routes of effluent discharge to water bodies, in particular quality of waters where effluent is discharged.)

8. How are noise, odour, ground subsidence and land pollution handled?
(Details: noise and vibration sources generated by machines or other equipment:
measured levels
complaints from community
odour emitted to the air if any
land subsidence where massive pumping of underground water has been/is carried out
on site and off site land pollution due to company's operations including groundwater contamination.)

9. How is waste (solid and liquid) treated and disposed?
(Details: name and classification of waste, e.g. industrial or domestic, solid or liquid, nature (sludge, powder, etc), annual volume generated, hazardous or not. Methods of disposal, if on site what facilities, capacity, method

employed. If off site company permits, licences, any environmental protection policies in use?)

10. How are air, water, noise etc control systems measured, what yardstick used and who by?

11. How is the greening of the company managed? For instance:
organisation and personnel in charge
responsibility
manuals of green management system (or environmental management systems)

12. How does board level responsibility for green issues manifest itself? Is there a clear strategy? Also how do they cope with/manage trade offs between green and profit issues?

13. What major greening strategies, if any, are planned for the future?

14. Have there been any conflicts in the past vis-à-vis greening issues and if so how have they been resolved?

15. What type of corporate rules, manuals, standards exist for environmental protection within the organisation, e.g. ISO 14000 series?

16. Who/what carries out your environmental audit/inspection?

17. What particular measures have been taken to respond to the previous indications on environmental protection given by previous audit/inspection?

18. Are there any reports on environmental protection sent to administration during the last 3 years?

19. What form if any, does cooperation with outside organisations and associations take with respect to green issues?

20. In your opinion, how could the company benefit from going green? For example, corporate image enhancement, increased revenue....If a combination of factors what are they?

21. How much mileage is left in green marketing? Explain your answer please.

22. What is the location of your company, e.g. industrial park, residential district, urban area, agricultural area, etc. Site lay out, including major buildings, production facilities, utilities and pollution control facilities. Drainage systems for rainwater, effluent from processes, household effluent, etc.

23. Land utilisation, e.g. green, access way, unused land, etc. total area, total area of production facilities, anticipated remodelling or expansion facilities.

24. If a manufacturing company, what type of operations area carried out? Where does manufacturing take place, indoors, outdoors, underground?

25. Types of raw materials used of which more than one ton annually is purchased:
a) general name and chemical name
b) annual handling (or purchase) volume
c) environmental effects of substances

26. What types of utilities are used by the company?

a) Water – its source: city water and/or well water?
Maximum capacity?
Average consumption level(s)?

c) Steam (generated by the company or purchased?)
Maximum capacity?
Average consumption level/volume?
Pressure of steam?

d) Fuel: oil, coal, LPG or LNG and its specification as sulphur content, ash content, etc.
e) Electricity –generated by the firm or purchased? Voltage, phase, frequency, and capacity of power.
f) Refrigerator and freezer, model and capacity, refrigerant gas.

27. Are there are any further comments that you would like to make in relation to the questions posed above?

N.B. a number of questions have been taken from Ledgerwood et al's book 'The Environmental Audit and Business Strategy- a total quality approach', 1994, FT Pitman Publishing.

Ethical and Green Marketing Interview Questions

Organisational/Staff Issues:

1. Could you please explain and define your organisation's ethical/environmental policies? Are they the norm in your industry or is your company unique in having them?
2. Who or what would you see as an example of best practice? Are they the leaders in ethical/environmental behaviour?
3. How could you ensure 'ownership' of such policies by all employees?
4. How much coverage has been given to ethical issues as a management philosophy in the organisation? i.e. how much does it influence senior management decision making?
5. With respect to environmental issues, where would you place your organisation in the ladder of green-ness below and why? (I shall explain the various rungs on the ladder to the respondent).

Policy making and implementation:

6. Is the board of directors actually involved with the organisation's ethical/environmental policies?
7. What organisational (as well as external) mechanisms exist to ensure the implementation of ethical/environmental policies?
8. How is the effectiveness (of implementation) of the above policies measured?
9. Could you please offer a number of strategies and tactics that are employed by your organisation concerning ethical/environmental behaviour? What possible distinctions would you make between the two categories?
10. Could you please spare me a copy of any corporate manuals/rules that underpin the above policies?
11. What internal (and external) barriers if any, has your organisation experienced in its ethical/environmental efforts or indeed their implementation?
12. Could you please outline the organisation's future ethical/environmental policies; and if they are different from the existing ones please explain the reason for this.

13. Does the organisation carry out a Cost Benefit Analysis (CBA) concerning its ethical/environmental policy decisions? Can you please explain how this is done?
14. What are the possible benefits of pursuing ethical/environmental policies to the organisation?

Ethical/Environmental Drivers:

15. What has been the extent of pressure group(s) influence on your organisation's ethical/environmental policy making decisions, if any?
16. What has been the influence of competition on your organisation's ethical/environmental policy decisions? Has your organisation influenced competition's decision making in those areas too? Who was more influential?
17. Could you please explain how legislation and regulations in different shapes and forms, have had an impact on ethical/environmental policy making of your organisation? In your opinion, will such requirements play an even more or less important role in your organisation's ethical/environmental policy decisions in the future? Could you please explain your answer.
18. In what ways has customer pressure deter mined your organisational ethical/environmental policy making decisions? Will this pressure increase or decrease in the future? Why?
19. How do your customers view your organisation and its ethical/environmental policies? In your opinion, have these perceptions changed in the recent past? Why?
20. What role(s) has technology played in implementing your ethical/environmental policies? Do you envisage a more major role in the future? Why?
21. If we were to summarise the above drivers of ethical/environmental behaviour, what would you say has been the relative importance of external pressure on your organisation using the list below?

a) **General Environmental Forces** that consist of;

Technology, Climate, Population, Culture, economics;

And , b) **Public Stakeholders**, namely:

Financial Community, Media, General Public, Government, Pressure Groups, Trade Bodies.

Definitions of CSR, TBL, Sustainable Development, Organisational Balanced Scorecard:

22. What are your organisation's views on Corporate Social Responsibility (CSR)? Does it practice CSR and if yes, why?

23. Amongst your organisation's stakeholders, should not its shareholders receive preferential treatment?
24. Are you aware of the Triple Bottom Line (TBL) concept? What are your views and those of the organisation (if different) on TBL?
25. What are your opinions and those of the organisation (if different) on sustainable development?
26. What possible links, if any, would you see between TBL and sustainable development?
27. What are your views and those of the organisation (if different) on Organisational Balanced Scorecard?
28. Could you please explain in detail, if possible, any changes in behaviour, position- and performance- that have been manifested due to your organisation's ethical/environmental policies?
29. What changes have the above policies made to the nature and direction of product/service development, your organisation's choice of markets, the nature of any strategic alliances, and approaches to marketing communications, including advertising?
30. Are there any further comments that you wish to make in connection with the issues discussed?

Many thanks for your time and consideration

Khosro S Jahdi