

# **Greenwashing and PR in the financial sector in Bulgaria**

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**Abstract:** This study focuses on the presentation of the relationship of greenwashing and reporting practices of corporate social responsibility. Under the increased pressure on companies to report environmental impacts, some companies disclose positive impacts, which are not directly related to their major field of business. The report tries to make a review of greenwashing and PR in the web by the companies. The author analyses through combined qualitative and quantitative methodology practices of CSR reporting in some of the major financial organizations in Bulgaria on their web sites. A Framework for analysing their engagement to CSR and its relation to companies' field of business is applied.

**Keywords:** corporate social responsibility, sustainability, greenwashing, corporate advertising, public relations, reporting of CSR, corporate websites.

## **Literature review**

In 2005 C. Ramus and I. Montiel researched the problem that external stakeholders often wonder when a published commitment to a policy translates into actual policy implementation. [1] They analysed two independent databases to predict the circumstances under which large, leading-edge corporations in industry sectors will commit to and/or implement proactive corporate environmental policies and when it is unlikely they will do so. They found that commitment to specific environmental policies does not vary greatly between industry sectors; however, policy implementation does.

Enlarging the research field, M. Delmas and V. Burbano wrote that there is an increase in the companies, which are engaging in greenwashing, misleading consumers about firm environmental performance or the environmental benefits of a product or service. [2] They provided a comprehensive framework that examines the external, organizational and individual drivers of greenwashing and afterwards they used this framework to develop recommendations for managers, policymakers, and NGOs to decrease the incidence and severity of greenwashing in practice.

Because of the fact that the number of companies issuing green claims, increased dramatically as consumers and companies were paying more attention to their environmental footprint, lead to many corporations to be accused of greenwashing on websites that house such forums. In his paper T. Gallicano focuses on the evaluation the fairness of the critical public's greenwashing accusations through a study of environmental criticisms against a company [3]. He presented a comprehensive framework for evaluating whether organizations were engaging in greenwashing.

Researchers L. Mahoney, L. Thornem L., Cecil and W. LaGore studied CSR in American corporations and drew the conclusion that U.S. firms are voluntarily issuing costly standalone Corporate Social Responsibility Reports, even though, their motivations for issuing standalone CSR Reports were not clear. They explored two different explanations: signalling and greenwashing. [4] Signalling proposes that firms use standalone CSR Reports as a signal of their superior commitment to CSR, which suggests firms with stronger social and environmental records will be more likely to issue standalone CSR Reports as compared to those without, while greenwashing proposes that firms use

standalone CSR Reports to pose as “good” corporate citizens even when they do not have stronger social and environmental records.

This scientific field provokes the interest of G. Nyilasy, H. Gangadharbatla and A. Paladino who studied the effects of green advertising and a corporation's environmental performance on brand attitudes and purchase intentions [5]. Their results indicated that the negative effect of a firm's low performance on brand attitudes becomes stronger in the presence of green advertising compared to general corporate advertising and no advertising.

A. Markham, A. Khare and T. Beckman uncovered a rapid rise in the number of firms publicly touting the environmental merits of their products or their operational practices [6].

The focus of CSR studies is further enlarged by K. Weatherly who pointed out that many corporations had a significant amount of power and wealth, and that they have the opportunity to use corporate social responsibility initiatives to help mitigate the world's most challenging environmental problems, including climate change, waste reduction and the preservation of our natural resources [7]. Further he stated that communicating about corporate social responsibility is important for a corporation's many stakeholders and shareholders to understand what a company is trying to accomplish by strategically aligning its business with an environmental challenge it wants to help overcome.

The scholars gradually tread the theme in depth CSR, stimulating H. Aji and B. Sutikno to make a review of more than 1,000 self-described “green” or eco-friendly products, and found that all but one of the products exhibited some form of greenwashing [8]. They described “Greenwashing” as a type of spin in which public relations or marketing is used deceptively to promote the perception that a company and its products or services are environmentally safe or “friendly.” [9] As a result of their study they found out that greenwashing has a positive association with green consumer scepticism (GCC), perceived consumer scepticism (PCS), and green perceived risk (GPR), and that there was a surprising link between GCC-PCS-GPR and green trust (GT).

Enriching the analysis R. Wolniak and P. Habek presented the problems of misleading issues arising from the application of greenwashing by many companies in the case of CSR (Corporate Social responsibility) reporting [10]. They laid out the concept of greenwashing, discussing its practice, drawing attention to the possibility of adulteration in CSR reports and analysed the greenwashing practices to counteract the phenomenon. Also they pointed out that the limitation of greenwashing practices should include the use of reverse-greenwashing or social monitoring reports, the education of consumers on CSR, an external verification of CSR reports according to strict standards developed.

CSR continues to be up to date theme and provoked the research interest of R. Wolniak who analysed the presentation of the relationship of greenwashing and reporting practices of corporate social responsibility. Again he tried to analyse capabilities to counter the phenomenon. [11]

In the second decade of the 21st century CSR continues to be important from a scientific standpoint. In 2016 in their research C. Marquis, M. Toffel and Y. Zhou discussed that some firms selectively disclose relatively benign impacts, creating an impression of transparency while masking their true performance, due to the increased pressure to report environmental impacts. [12] They theorized the circumstances under which firms are less likely to engage in such selective disclosure, focusing on organizational and institutional factors that intensify scrutiny and expectations of transparency and that foster civil society

mobilization. They have studied 4,750 public companies across many industries that are headquartered in 45 countries during 2004–2007. [13] As a result they discovered that firms that are more environmentally damaging, particularly those in countries where they are more exposed to scrutiny and global norms, are less likely to engage in selective disclosure.

### **Financial institutions CSR disclosure analysis on the basis of their websites**

The relevance of CSR is growing because customers expect their companies to be socially responsible, and therefore they are increasingly seeking information on this matter. Among companies this raises awareness of the potential reputation risk that is related to the lack of information on CSR. Recent years Internet has become major information source of modern age for customers and that is why this research focuses on communication of CSR activities of the financial companies through their corporate websites as a PR practice.

For the purpose of the current paper I would like to present the following working definitions:

Ggreenwashing – the pretence of socially responsible behaviour through artful reporting. It proposes that companies use standalone CSR Reports to pose as “good” corporate citizens, even when they do not have stronger social and environmental records.

Signalling as explained by L. Mahoney, L. Thorne, L. Cecil and W. LaGore, proposes that firms use standalone CSR Reports as a signal of their superior commitment to CSR, which suggests firms with stronger social and environmental records will be more likely to issue standalone CSR Reports as compared to those without. [14] I would like to include some other points here and thus to redevelop a new definition of signalling, such as: Signalling - an activity of the companies with stronger social and environmental records and commitment, but with a lack of strategic CSR planning connected directly to the business and/or chaotic CSR activity (undertaking different projects, not related to one another and/or not complying to the CSR brand of the company).

To complete the analysis I used the major two Financial companies in the Bulgarian Financial Market for 2017, listed in the Capital newspaper, as follows:

- UniCredit Bulbank AD;
- DSK Bank EAD.

The PR practices of the major financial companies in Bulgaria are assessed, through examining their web sites and considering the following focal points:

- Where in the site is the CSR policy of the company communicated;
- How many activities are communicated on the web site of the company for 2017;
- What is the main focus of the activities;
- How often are the activities updated;
- Are the activities consistent to one another and do they create a specific brand of the company;
- Are the CSR activities directly related to the business of the company;
- Are there separate CSR reports.

In the following table I show the results of the conducted analysis:

**Table 1.**

## Comparative analysis of the web sites

	UniCredit Bulbank AD	DSK Bank EAD
Where in the site is communicated the CSR policy of the company	Main page, separate link in the main menu bar	Main page, somewhere below.
How many activities are communicated on the web site of the company for 2017	21 events for 2017	No reported activities.
What is the main focus of the activities	6 main spheres: Innovation, Education, Sports, Arts/Culture, Social Environment, Sponsorship/Donation	No main focus under the menu social responsibility, but they have Credit programs for students and youth
How often are the activities updated	There is a calendar month by month	No update
Are the activities consistent to one another and do they create a specific brand of the company	NO	No shown activities
Are the CSR activities directly related to the business of the company	In the sphere of donation/sponsorship - Yes	Only on the packages for students and youth
Are there separate CSR reports	NO	NO

Through this conveyed analysis of the financial corporate web sites, I found that in both of them there is a separate part in the site to communicate the CSR practices of the firms. One of them is updating regularly the events and has a wide area of activities. The activities are not consistent to one another and thus we may not speak of a specific brand. The activities are not directly related to the business of the companies. Both companies did not have an issued CSR reports for the previous years.

**Conclusion**

The globalisation leads to a rise of internet-mediated communication, which poses possibilities and challenges for organisation studies, especially in the area of corporate social responsibility (CSR). Corporate social responsibility (CSR) is a dialogue organised through the constant communication and negotiation between corporations and their different stakeholders. The analysis in this study, for the researched financial companies on the Bulgarian market shows that:

- The CSR practices in the financial sector in Bulgaria could be significantly improved;
- Financial companies in Bulgaria do not use greenwashing practices;
- Financial companies in Bulgaria tend to use signalling in their PR practices
  - o As for further studies it is important to ask the following questions:
  - o How do the companies create their own CSR brand?
  - o How to merge the CSR activity with the main activity of the company?

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