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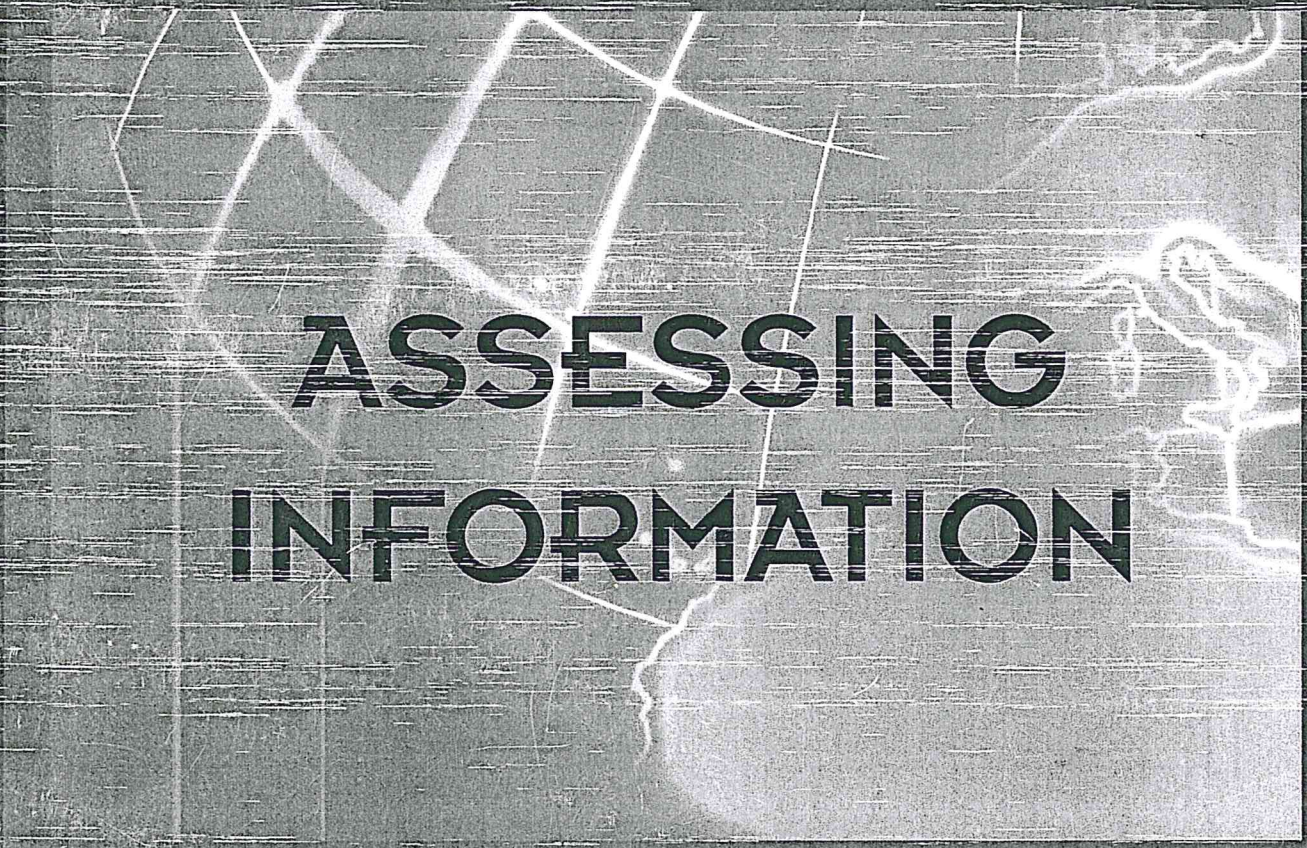
Consumer Citizenship: Promoting New Responses

Vol. 4



ASSESSING INFORMATION

Edited by
Alexandra Klein & Victoria W. Thoresen

QUALITY OF INFORMATION PRODUCED BY PRODUCERS: GREENWASHING OR CAN WE REALLY TRUST?

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Methodology

Relevant information from various sources such as from the literature, internet, surveys, web sites of institutions, legal texts, reports, journals, news papers, working papers and handbooks have been processed in order to try to conceptualize assessing information in consumer citizenship.

Introduction

Globalization has helped to shift some of the responsibility for protecting citizenship rights away from governments to corporations. Corporations enter the arena of citizenship in circumstances where traditional governmental actors fail to be the counterpart of citizenship. One important stream of literature has been discussing that (Ronit and Schneider, 1999; Dirk and Crane, 2004; Oosterhout, 2005) corporations have stepped in and taken an increasingly active role in the political arena. Although some authors like Oosterhout (2005) against the idea, Corporate Citizenship however is described by Dirk and Crane (2004) as administering citizenship rights for stakeholders.

Such a definition reframes Corporate Citizenship away from the conception that the corporation is a citizen in itself (as individuals are) and toward the acknowledgement that the corporation administers certain aspects of citizenship for their stakeholders, such as employees, customers, shareholders exc. Given the fact that Dirk and Crane's (2005) conceptualization is descriptive rather than normative, they justify their idea by arguing that "Corporations" and "citizenship" come together at the point (1) where government ceases to administer citizenship rights, (2) where government has not as yet administered citizenship rights, and (3) where the administration of citizenship rights may be beyond the reach of the nation-state government. Each of these contexts brings forward a range of mechanisms through which corporations might take over or sometimes are expected to take over certain functions with regard to the protection, facilitation, and enabling of citizens' rights – formerly an expectation placed solely on governments. Growing social involvement of corporations make them political actors especially in the global arena.

On the other side we have been witnessing that voter apathy in national elections is not the only instrument through which political choices and demands have been channeled. There appears to be a growing willingness on the part of citizens to participate in political action

aimed at corporations rather than at governments. Hertz (2002) and others argue that given the power of big corporations, there is more democratic power in an individual's choice as a consumer (for or against certain companies, products) than in their choice at the ballot box. Whether through single-issue campaigns, anti-corporate protests, consumer boycotts or other forms of sub-political action, consumer citizens have increasingly required to effect political change by influencing the power of corporations. Consumption choices have become 'purchase votes' for rewarding or sanctioning the corporate citizenship practices of many multinational and transnational companies.

Consumer sovereignty is an important concept within neoclassical economics. In theory, it generally suggests that consumers are sovereign and drive the market. But in reality, markets are not characterized by proper information flow. Existing market economies involve a situation with significant mismatches between access to and need for knowledge for consumer reactions. The consumers may turn to be a manipulated pawn rather than a sovereign because of misleading information, lack of relevant data, manipulated words, unethical advertising. After the liberalization and deregulation of the markets and industries in the last decades, consumer slavery may be suggested to describe the current period in the market economies rather than consumer sovereignty because of the fact that as Dirk and Crane (2004, p. 270) summarize, consumer have been experiencing creation of artificial wants, deception, misleading, promotion of materialism, perpetuating displeasure, exclusion, product insecurity, reinforcing stereotypes, excessive, deceptive, predatory pricing, violating privacy, targeting vulnerable consumers, exc. It can be claimed that consumer sovereignty can be achieved through proper information flow concerning to corporate citizenship practices of corporations. Consumers may arrive at an overall evaluation of the firm's citizenship give reaction by combining a variety of information on the performance of company's economic, legal, ethical, and discretionary citizenship.

Processing information in consumer citizenship

The availability and completeness of relevant data is the vital factor in the concept of consumer citizenship. How do consumers acquire and process the information regarding the corporate citizenship of various organizations? According to Thoresen (2005: 36) making choices as a

consumer is related with assessing information and it is necessary to be able to pose relevant questions and master the art of making decisions. There are many theories, approaches about information processing in different disciplines like management, communication, computer science, exc. Widespread research over the years from different scholars from different disciplines have been made to explain the process of decision-making (Ferrell 1989; De Paulo, 1987; Trevino 1986). Many of them provide us with a relatively clear picture of the important stages and influences that are central to understand the processing information and making decision. Combining the elements of these theories by using system approach, Figure 1 can be proposed to demonstrate the variables and elements at processing information in the consumer citizenship. In general these frame work represent the communication between source and consumer, stages in the processing information and the factors that influence this process. These variables and elements are based upon prior models (Daft, 2003; Ryen et al., 2007; Orey, 2001) in different disciplines and do not claim a comprehensive theoretical framework, instead, it suggests some further development and research.

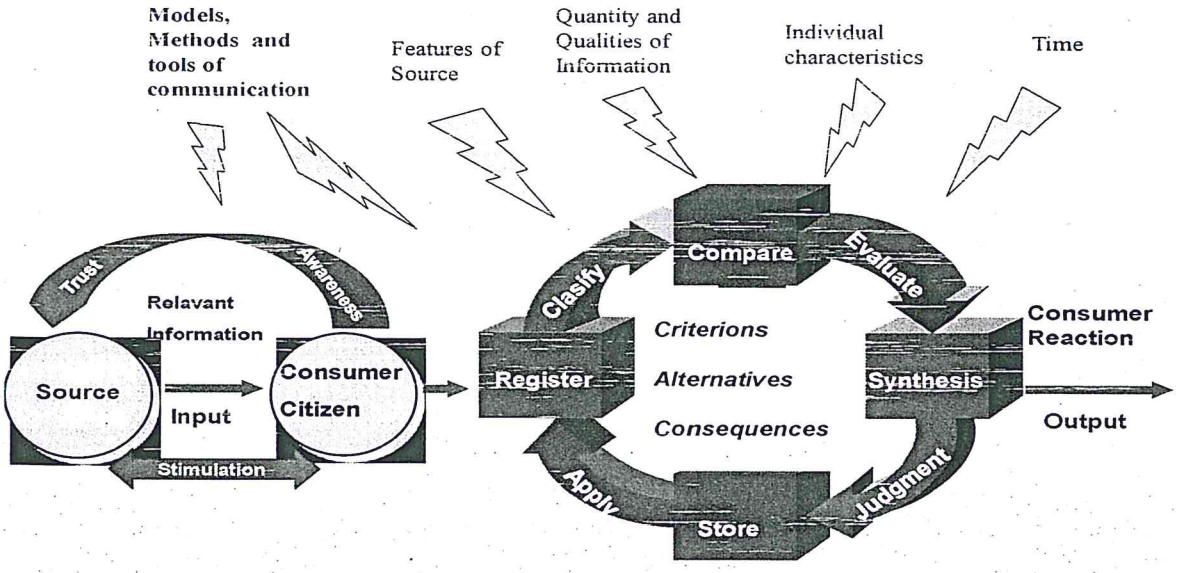

Figure 1 *Variables and elements at the processing information in consumer citizenship*

The proposed framework itself is not empirically grounded yet because of the fact that the observation and measurement of consumers reactions is quite complex. It is not easy task to identify only one factor

alone and measure its affects to the process due to many of the stages and variables related and interdependent to differing degrees. This could be considered as limitation of the framework. It is however hoped that the proposed framework could add to the conceptual base to develop researches for the future investigation of consumer citizens' reactions.

In this framework it can be suggested that acquiring, registering, classifying, evaluating, comparing, syntheses, storing and applying are the stages in the consumer information processing. In every stage criterions, alternatives and consequences might be considered by the consumer. That process is affected by different variables, as internal factor; individual characteristics (Kohlberg, 1969; Thoresen, 2005; Dirk and Crane, 2005) as external factors; model, method and tools of the communication (Maignan and Ferrell. 2001) qualities and quantity of information, features of the sources and time of the process. As far-external factors economic, socio/cultural, legal/political, ecological and technological conditions in the local and or global level might be regarded as the environment of the consumer information processing (Thoresen, 2005, p. 36; Dirk and Crane, 2005, p. 117).

Past researches on environmental consumer behavior has highlighted the importance of consumers' awareness of environmental issues to predict environmentally conscious consumer behaviors (Berger and Kanetkar, 1995). Based on this evidence, we can argue that processing information in consumer citizenship begins with consumer awareness of a company's economic, legal, ethical, and discretionary citizenship. The consumer may research or come across relevant information about corporate citizenship activities. Or a source can stimulate the awareness of consumer citizen by giving relevant information. Corporations, governments, media, NGOs, universities, interest organizations etc. could be sources to provide information regarding corporate citizenship practices on protection, facilitation and enabling of citizens' rights (stakeholders rights) realized by a company. Given the fact that corporations are willing to disclose their positive practices rather than negative, trust in the source becomes vital element at processing information in the consumer citizenship. Information regarding corporate citizenship practices may influence consumer decisions only if individuals judge this information as objective and trustworthy (Maignan and Ferrell, 2001).

Given the complexity of the elements at the processing information in consumer citizenship, only the information originating from the corporation and trust in the source have been taken into consideration in order to limit the extent of this paper.

Measuring and reporting of corporate citizenship

Selection of corporate citizenship communication techniques, models and tools may differ by different stakeholders of course. But given the importance of the interdependence between corporate and consumer citizenship, businesses should choose the most appropriate means of communicating with consumer, as consumer can never collect all the details of corporate citizenship practices. These tools should be chosen and implemented by the companies in order to make consumer process information properly.

In the corporate citizenship communication, like any newly-emerging area, the field is overwhelmed with problems of terminology. There are ethical accounts, social audits, social accounts, ethical audits, social performance reports, human accounts, social reviews, just to name a few. In some cases these methodologies appear very similar (Zadek, 1997b,: 1374). They are synonymous with citizenship reporting, sustainability reporting, triple-bottom line reporting. For example, Triple bottom line (TBL) is a term coined and advocated by John Elkington in 1996. (Elkington, 1996) His view of the TBL is that it represents the idea that business does not have just one single goal- namely adding economic value- but that it has an extended goal set which necessitates adding environmental and social value too. Triple bottom line measures business performance against economic, environmental and social criteria in terms of corporate citizenship. The idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital. Why measure it? One of the figure in social accounting, Zadek (1998a:1426) answers to this question that companies need to know the social, ethical, and environmental views of stakeholders (citizens) who do count. They also need to know how these views are changing over time and how they are likely to determine attitudes and actions by stakeholders – whether individual or collective – towards the company. Thus, companies seek to measure and disclose their social and ethical performance in order:

- to understand what they are trying to achieve and how best to measure performance against their aims
- to know what they are doing
- to understand the implications of what they are doing
- to understand in what ways if any they can explain their actions to increasingly skeptical and aggressive stakeholders
- to understand whether there are practical options for improving their social performance

Social accounting is the generic term which summarizes the other tools and approaches on measuring and disclosing information in corporate citizenship communication. Because of high costs, inadequate information systems, lack of standards, secrecy and unwillingness to disclose sensitive or confidential data, most corporations do not practice any form of social accounting. According to Zadek (1998) however, companies are finding in a growing number of cases that they need to respond to stakeholder concerns not only by changing their practices, but by being more open in reporting how they have performed against key social, ethical, and environmental criteria's. Zadek (1998) gives an example: The clothing retail chain, Gap, understood this when it agreed to adopt a code of conduct covering the factories in the South from which it purchases the products it sells. It understood that its customer base was open to being influenced by the growing number of non-profit organizations campaigning around labor conditions in these factories, particularly those focused on the emotive issue of child labor. The Gap, furthermore, along with an increasing number of companies throughout the clothing, sportswear and toys industries, have also come to accept that those stakeholders who are willing to penalize them for not behaving according to norms that they consider acceptable want "proof" that they are keeping their promises. The fig leaves of codes of conduct are in themselves not enough (Zadek, 1998a, b). What is in addition demanded are reports of performance that is a fundamental element of the process of communication between the company and key stakeholders. In this sense, reporting is a way in which stakeholders can see if the company "listened" to their concerns, and over time whether they have responded in practical terms. Further, reporting is an essential element of the process of deepening the understanding of managers as to what is going on and how people view it. Reporting – seen in this sense as a link in the chain of events that secures high quality feedback

– is an obvious requirement. In conclusion, therefore, reporting is essentially an element of the communication, dialogue, learning, and decision-making process, rather than the endpoint in a retrospective analysis.

Many companies around the world have started to measure and report information on their economic, environmental and social policies, practices and performance. But this information is generally incomplete, inconsistent and unverified. Measurement and reporting practices vary widely according to industry, location and regulatory requirements. So a whole bunch of different standards are emerging, all more or less trying to follow the track of cynicism or skepticism or concern over the quality of these different emerging voluntary processes of disclosure (Zadek, 2001). For stakeholders to be willing to offer insights into their own deeper interests and concerns, they need an atmosphere of trust and honesty. Consumers will simply not believe anymore the claims of companies without a more systematic, rigorous approach to disclosure. Companies seek to influence public perceptions about their corporate citizenship performance. Whilst this is a task that all companies take to with considerable rehash and vigor, the ways in which they have done this has generated considerable skepticism and indeed cynicism towards corporate claims of good behavior.

Given the fact that corporations are willing to disclose their positive practices rather than negative trust in the source becomes integral element at processing information in the consumer citizenship. Information regarding corporate citizenship practices may influence consumer decisions only if individuals judge this information as objective and trustworthy (Maignan and Ferrell, 2001).

Trust in the source

In 2005, Nike advertised the high quality of worker conditions of its factories and its supply chain in South-East Asia, and then a group of activists sued it on the grounds that this statement was misleading to consumers.

In an advertisement in National Geographic magazine in 2004, Ford Motor Company tried to convince readers of its commitment to the environment by announcing the launch of the Escape Hybrid SUV and the remodeling its River Rouge factory, just prior to the campaign's

release, the Environmental Protection Agency announced that Ford had the worst fleet wide fuel economy of all major automakers.
More recently, Norway's consumer ombudsman has targeted auto-makers with some of the world's strictest advertising guidelines. The guidelines distributed to carmakers and phrases such as 'environmentally friendly', 'green', 'clean', 'environmental car', 'natural' or similar descriptions should not be used in marketing cars by claiming that "Cars cannot do anything good for the environment except less damage than others".
Even large and famous corporations are lying. Mismatched information flows are also a part of the profile of the present paradigm of shared responsibility as Thoresen highlighted (2005). Despite a veritable out-pouring of information from companies about their social, ethical, and environmental performance, there is ample evidence to suggest that stakeholders rarely believe what they are told by companies (Zadek, 1998). Many surveys and writers (Laczniak and Murphy 1993; Assael 1995, Osterhus 1997) have highlighted that business and industry sources are likely to be considered the least believable. We can discuss many reasons for the lack of public trust in business especially in the advertising and sales professions, one of the reasons that consumers do not find corporations trustworthy could be greenwashing.

Greenwashing

It is a negative term derived from the term "whitewashing," was coined by environmental activists to describe the efforts by corporations to portray themselves as environmentally responsible in order to mask environmental wrongdoings. The term is now used to refer to a wider range of corporate activities.
(http://www.businessethics.ca/greenwashing) It just looks like the expression "whitewashing" in politics. It's defined as a coordinated attempt to hide unpleasant facts, especially in a political context. A commonly cited example of greenwashing is the George W. Bush Clear Skies Initiative, which environmentalists have argued actually weakens air pollution laws. It's greenwashing when a company or organization spends more time and money claiming to be "green" through advertising and marketing than actually implementing business practices that minimize environmental impact. It is whitewashing, but with a green brush (http://www.greenwashingindex.com/what.php). What are the consequences of green washing?

1. It attempts to deceive stakeholders, making them think that a company with an awful environmental track record actually has a great one.
2. Green washing could result in consumer and regulator complacency. If one corporation in a particular company gets away with green washing, other corporations will follow suit, thereby creating an industry-wide illusion of environmental sustainability, rather than sustainability itself. This creation of the illusion of environmental sustainability could have dire social consequences as consumers will continue to use products and support companies that further environmental degradation and reduce the quality of living conditions for future generations
3. Greenwashing may also engender cynicism: if consumers come to expect self-congratulatory ads from even the most environmentally backward corporations, this could render consumers skeptical of even sincere portrayals of legitimate corporate environmental successes. Thus well-meaning companies – companies committed to responsible behavior with regard to the environment – have every reason to be critical of companies that greenwash.

Lack of internationally agreed standards in social accounting makes possible for corporations to expose false claims even when it is all too obvious that they care neither for their social or environmental impact on the society.

Avoiding greenwashing

As corporations are trying to give some sense of reliability of their corporate citizenship practices and avoid green washing, some standards of qualities in providing information such as Inclusivity, Comparability, Completeness, Evaluation, Management policies and systems, Disclosure, External verification and Continuous improvement have been suggested for corporations (Zadek,1997). ISO International Standard has been working on some other standards on communication for companies in its "Guidance Social Responsibility" (2008). A draft has been developed on the basis of a consideration of comments submitted by stakeholders and experts. But many of these standards have not been integrated into most companies' social accounting procedures of course, but the efforts on conceptualization and definition

of quality standards could be considered as important attempts towards sufficient principles in providing information. Since voluntary, local reporting is no substitute for binding international agreements on social reporting some initiatives in the global level like AA1000 Assurance standard, The Global Reporting Initiative (GRI), ISO try to regulate specific dimensions of social accounting and provide global standards in reporting.

Conclusions

Democracy can be defined as giving control to people over their lives and the possibility to choose policies that are regarded as important. When such policies are taken by governments, individual citizens control them based on relevant information. Since corporations have become political actors and shape and influence our public and private life consumer citizenship should be added in the current paradigm in the modern societies, processing information in consumer citizenship might reallocate the balance of power away from business and towards the consumer. As Isin and Wood (1999) predict, consumer citizenship may help and accelerate to reach the epoch of consumer sovereignty.

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Every single day consumers and citizens are faced with the challenge of either having too little information about the products and services they encounter or of having to deal with too much and often extremely complicated information. Understanding and applying information to the consumer choices one makes is not easy. People face the uncertainty of not being able to know everything about the products and services they are confronted with; nor are they able to prophecy all the consequences of their consumer choices. The authors of the articles in this publication claim that this uncertainty can, however, be significantly diminished by developing the skills of critical assessment. Assessing information as consumer citizens is closely connected to consumers' right to be informed. It also involves applying principles and ethics to the assessment process. These and other relevant issues are discussed in this edition of Promoting New Responses.

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