**Testing the Existence of a Green Contract: An Exploratory Study**

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**Abstract**

**The Problem:** Climate change has been identified as one of the most significant challenges of this generation. Yet, little is known about the reciprocal expectations that organizations and customers have in relation to environmental issues. Moreover, the field of HRD has done little to date to respond to environmental challenges.

**The Solution:** A set of four hypotheses were tested with a sample of 102 Scottish retail customers to examine some of the expectations customers have in relation to organizations. Three of the four hypotheses were proven indicating a strong correlation between levels of Customer Environmental Commitment/Action and Perceived Organizational Environmental Commitment/Action.

**The Stakeholders:** The research identifies an important educational role for HRD practitioners in improving the training and awareness of individuals in relation to environmental issues and the dissemination of positive environmental practices and innovative approaches. It postulates the existence of five variants of a “green contract”, which distinguishes different degrees of environmental commitment and behavior shown by both customers and organizations.

**Keywords:** Green HRD, Environment, Climate Change

**Testing the Existence of a Green Contract: An Exploratory Study**

**Introduction**

Climate change has been identified as one of the most significant challenges facing the planet, raising important issues as to how individuals and organizations need to evolve to live and work in a responsible and sustainable manner. In this context, climate change is defined as "a change of climate which is attributable directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods" (UNFCCC 2014, p. 7).Successive scientific reports have attested to the severity of changes affecting the earth’s ecosystem, from increases in global temperatures to rising sea levels to more intense hurricanes and tornadoes (European Commission 2013; White House 2013; IPCC 2007). Cumulatively, these reports have emphasized the need for individuals and organizations to take steps to create more sustainable, eco-friendly systems of production to mitigate against the worst effects of climate change.

Pressure on organizations to adopt more sustainable business practices and reduce their environmental impact on communities and society has come from a variety of sources. First, directives from state, governmental and supranational bodies (such as the European Union) have offered guidance and enforcement in relation to infrastructural and emissions standards and regulation (Hansen & Brown 2011). Second, non-governmental bodies have performed a lobbying and educational role through engaging in research and awareness campaigns directed towards improving and changing individual and organizational behavior (Murphy & Bendell 2001). Third, the promotion of robust sustainability programmes by industry bodies has signalled to organizations the need to improve their eco-performance and identify and share expertise and good practice (Oakley & Buckland 2005). Fourth, marketing trends have embraced eco-friendliness as a new driver of competitive advantage and a source of differentiation in a crowded marketplace (Marchi, Maria & Micelli, 2013). Finally, the promotion of Blue Ocean strategies and disruptive innovation strategies have alerted organizations to the growth of new and emerging markets based upon cleaner and greener product and service offerings (Laszlo & Zhexembayeva 2011).

Concern for producing greener, environmentally-friendly products has also originated from customers. The emergence of studies linking customer environmental values with actionable behavior has led organizations to refocus product design and packaging to convince customers of their green attributes (Kim 2011; Pape, Rau, Fahy & Davies, 2011; Vanclay et al., 2011). Indeed, Jeong, Jang, Day, and Ha(2014) reported that the primary motive of most firms for pursuing eco-friendly practices is to improve company image and that overtly signalling an organization’s environmental commitment can help customers construct a positive green attitude towards the organization. Some research has also indicated that customers showing increased environmental awareness are willing to pay more for environmentally friendly products and services (Han, Hsu, Lee & Sheu, 2011; Papadopoulos, Karagouni, Trigkas & Platogianni, 2009; Manaktola & Jaihari, 2007).

Changing environmental expectations and the evolving relationship between organizations and customers has raised important questions about the role of HRD in customer-organizational interactions and sustainability issues. Although multiple players are involved in HRD practice, Ellinger (2013) maintained that the customer voice has been somewhat missing in HRD discourse. For his part, Wang (2003) asserted that HRD is not primarily a customer-service profession but advocated that HRD research and practice would do well to embrace and learn from a customer perspective and outlook in its work. Likewise, Russ-Eft (2004) endorsed the need for a close relationship between organizations and customers in order to accurately understand changing needs and expectations, with Sleezer and Kunneman (2001) suggesting that the field of HRD could learn important lessons from the field of consumer studies.

Alongside a paucity of research examining customer perspectives in HRD, there has also been a notable lack of studies examining HRD’s commitment to the environment. McGuire and Kissack (2014) reported that little has been written to date which explores HRD’s response to climate change or provides guidance and direction to practitioners on what steps they should be taking to create a more sustainable future. In agreement, Garavan (2014) maintained that HRD cannot continue to ignore environmental and sustainability issues and needs to take a wider perspective acknowledging the embeddedness of individuals and organizations within societal, environmental and cultural contexts. It is arguable that continued failure of the field to address environmental concerns is likely to damage HRD’s focus and reputation for tackling equity and social justice issues (Turnbull and Williams 2010), particularly given the important role that HRD plays in supporting workplace education and innovation.

In highlighting the need for greater understanding of customer and environmental issues, this paper tests the existence of a “green contract” that can explain the reciprocal expectations that customers and organizations have in relation to environmentally-motivated behavior. The concept of a green contract is based upon the notion that “all contracts are psychological” (Rousseau, 1995, p. 2). Consequently, the relationship that exists between organizations and customers is psychological, dynamic and evolves based upon the values and actions of both parties. The paper is structured as follows: it first examines the changing relationship between organizations and customers and explores how customers are taking ethical and social values into account when interacting with organizations; whilst organizations are seeking to develop their operations in a sensitive, long-term sustainable manner. A set of hypotheses is developed and empirically examined to test the existence of a green contract. Finally, a set of conclusions is drawn for improving green relations between organizations and customers and implications are set out for the field of HRD.

**The Changing Relationship between Organizations and Customers**

A key driver of organizations commitment to sustainability approaches has been the changing expectations and values of customers in relation to environmental issues. Pickett-Baker and Ozaki (2008) identified an intergenerational shift in values, with younger generations likely to exhibit greater pro-environmental behavior. Empirically, they found that customers are increasingly likely to interact more with organizations that are seen to be pro-environmental. Similarly, Flatters and Wilmott (2009) argued that environmentalism is now deeply rooted in the customer mindset and customers are looking to express their concern for climate change and the environment through their interactions with organizations. Sheth Sethia and Srinivas (2011) detected a trend towards mindful consumption, where customers in their interactions with organizations are encouraged to care for oneself, care for the community and care for nature. Customers are thus being encouraged to become more explicitly conscious in their interactions with organizations and pay particular attention to the consequences of their decision-making. With organizations increasingly tasked with building closer relationships with customers through the establishment, development and maintenance of long-term exchanges, communicating with customers and understanding their needs, values and expectations becomes critically important (Park, Lee, Lee and Truex 2012; Sashi 2012; Stahl, Matzler & Hinterhuber, 2003). Technological advances have also made customers more aware of the reputation and environmental records of organizations, requiring organizations to adopt environmentally-friendlier systems and processes. In this regard, Miles and Russell (1997) showed that environmental stewardship can create a reputational advantage that leads to enhanced marketing and financial performance.

From an organizational perspective, considerable emphasis has been placed on the notion of sustainable development and the need to conduct business in an ethical responsible manner. Cronin, Smith, Gleim, Ramirez and Martinez (2011) pointed to evidence that organizations are increasingly adhering to a triple bottom-line looking at economic performance, environmental performance and social justice. Norman and McDonald (2004) asserted that the triple bottom line model has helped crystallise expectations in how organizations interact with key stakeholders and allows measurement of an organizations impact upon communities and society as a whole. Indeed, the resilience of the triple bottom-line model in the academic and practitioner literature has led many organizations to confront the long-held belief that “the sole goal of companies should be to maximize profits and that markets should generally be left unimpeded” (Pfeffer, 2010, p. 41). For their part, Rimanoczy and Pearson (2010) added the additional elements of education and peace to the triple bottom-line model. They maintained that HR practitioners need to adopt an important educational role, through leadership development and training activities, to help individuals and organizations think and act in new ways. They argued that HR practitioners must generate the conditions for dialogue, so that individuals become aware of the need for and meaning of sustainable approaches in organizations.

It should be noted that neither customers nor organizations are homogeneous groups in their support of environmental issues. For their part, both Lindell and Karagozoglu (2001) and Andersson and Wolff (1996) argued that the degree to which firms are active in the environmental field varies along a scale from beginner to pro-activist. They maintained that firms at the beginning of the process may be reluctant to take steps voluntarily for the environment, seeing environmental issues as a concern for society as a whole and placing prohibitively expensive costs on companies. At the other extreme, they classified pro-activist firms as being strongly engaged with environmental policy setting and willingly taking steps to ensure environmental issues are embedded within their organizations. Similarly amongst customers, levels of eco-friendly attitudes vary and are strongly associated with individuals’ levels of perceived importance of the environment (Amyx, Dejong, Lin, Chakraborty & Wiener 1994; Han et al. 2011; Laroche, Bergeron & Barbaro-Forleo 2001).

Several factors have been identified underpinning the importance customers attach to environmental commitment. First, eco-friendly customers are likely to have a deeper understanding of the severity of ecological problems being faced and recognize the importance of taking personal responsibility for environmental issues (Roberts 1996). Second, customers committed to the environment are likely to downplay the inconvenience of behaving responsibly, recognizing instead the necessity and importance of such actions (McCarty & Shrum, 1994). Finally, environmentally conscious consumers identify that society as a whole, including organizations have a duty to act in an environmentally responsible manner.

**Research Question and Hypotheses**

This study rests on the following research question: What is the relationship between customers and organizations pertaining to environmental commitment? Also, what actions do customers and organizations take in respect to the environment? Based on the above presentation of the literature**,** and in response to the research question, four hypotheses were developed:

HYPOTHESIS 1: There is a positive correlation between Customer Environmental Commitment and Perceived Organizational Environmental Commitment

HYPOTHESIS 2: There is a positive correlation between Customer Environmental Actions and Perceived Organizational Environmental Actions

HYPOTHESIS 3: There is a positive correlation between Perceived Organizational Environmental Commitment and Organizational Satisfaction

HYPOTHESIS 4: There is a positive correlation between Perceived Organizational Environmental Actions and Organizational Satisfaction

**Methods**

In order to investigate environmental commitment and actions amongst customers and their expectations related to organizational environment commitment, actions and satisfaction, data were collected from a sample of 102 Scottish retail customers between February and March 2012. Due to the exploratory nature of the study, a random sample of customers (N=102) was considered appropriate to test the four hypotheses. The randomisation was obtained by addressing respondents in the order they approached the researcher to respond to the survey. Ethical approval was received to conduct the study and all participants signed consent forms and were provided with information sheets explaining the general purpose of the study and stating that participation was voluntary. Participants were assured of anonymity and confidentiality in relation to participation in the study.

An analysis of the demographic characteristics of participants showed that 66.7% of the sample were female, with participants being single (45%), married (42%), divorced (9%), or widowed (4%). There was a considerable spread in the age of participants, with 23% aged between 18 and 25 and a further 23% aged between 26 and 35. A total of 15% of respondents were aged between 56 and 65, with 10% of respondents over the age of 65. In relation to their employment status, 40% of participants were in full-time employment, with 19% in part-time employment and a further 19% classed as unemployed. Twenty-two percent were retired. Finally, 33% of participated were educated to second level, with 30% educated to university postgraduate level. The ethnicity and race of the respondents were not reported. Yet, this region of the country is predominantly white, but racially varied.

**Measures**

To test the level of environmental commitment and behavior amongst participants, a scale containing 14 items was developed and pilot-tested. Participants were invited to respond to the items on a seven-point Likert scale ranging from “Strongly disagree” (1) to “Strongly agree” (7) (Oppenheim, 1992). Principal component analysis indicated the presence of three factors accounting for 68.8% of the variance. Factor one contained two items which examined organizational environmental commitment and had an eigenvalue of 1.93 (Cronbach α = 0.648). An example item for this factor included “My commitment to this organization is due to their strong commitment to sustainability and the environment” (0.638). Factor two included nine items which examined organizational environmental actions and had an eigenvalue of 6.49 (Cronbach α = 0.927). An example item for this factor included: “The organization actively takes steps to reduce its carbon footprint” (0.840). Factor three contained two items which looked at organizational satisfaction and had an eigenvalue of 1.3 (Cronbach α = 0.81). An example item for this factor included: “I am satisfied with this organization” (0.79).

A second scale containing 15-items was developed and pilot-tested examining perceived environmental commitment and behavior amongst organizations. Again, participants were invited to respond to the items on a seven-point Likert scale ranging from “Strongly disagree” (1) to “Strongly agree” (7) (Oppenheim, 1992). Principal component analysis indicated the presence of two factors accounting for 60.9% of the variance. Factor one contained nine items which examined customer environmental commitment and had an eigenvalue of 7.30 (Cronbach α = 0.815). An example items for this factor included: “Environmental issues are a defining issue of our time” (0.76). Factor two contained four items which looked at customer environmental actions and had an eigenvalue of 1.22 (Cronbach α = 0.751). An example item for this factor included: “When shopping, I regularly try to reuse plastic bags/bags for life” (0.75).

**Results**

The data were analysed using SPSS version 22.0. Correlations and linear regressions were run to test the study’s four hypotheses.

Table 1 identifies the correlations, means and standard deviations for the study variables. Correlations show that customer environmental commitment is positively correlated with perceived organizational environmental commitment (r = 0.62, p < 0.001) and with perceived organizational environmental actions (r = 0.26, p < 0.05). Likewise, customer environmental actions is positively correlated with perceived organizational environmental commitment (r = 0.49, p < 0.001) and perceived organizational environmental actions (r = 0.31, p < 0.01). Finally, perceived organizational environmental actions was positively correlated with both perceived organizational environmental commitment (r = 0.52, p < 0.001) and organizational satisfaction (r = 0.38, p < 0.001).

*- INSERT TABLE 1 HERE -*

Linear regression was used to test the four hypotheses derived. The results of the linear regression analyses can be found in tables 2-5. Hypothesis one predicted that there would be a positive relationship between Customer Environmental Commitment and Perceived Organizational Environmental Commitment. As shown in Table 2, the regression analysis supports the existence of a positive relationship between the variables (β = 0.617, p < 0.001). Consequently, hypothesis 1 was fully proven.

*- INSERT TABLE 2 HERE -*

The second hypothesis envisaged that Customer Environmental Actions would be positively related to Perceived Organizational Environmental Actions. As table 3 shows, the results of the linear regression analysis supported the hypothesis (β = 0.308, p < 0.01). Hypothesis 2 was supported.

*- INSERT TABLE 3 HERE -*

Hypothesis 3 posited that Perceived Organizational Environmental Commitment and Organizational Satisfaction would be positively related. As Table 4 indicated, the results of the regression analysis yielded no support for this hypothesis.

*- INSERT TABLE 4 HERE -*

Finally, hypothesis 4 stated that Perceived Organizational Environmental Actions would be positively related to organizational satisfaction. As Table 5 highlights, a significant relationship was found between these two variables (β = 0.379, p < 0.001).

*- INSERT TABLE 5 HERE -*

**Discussion**

The research sheds light on the expectations that customers have in relation to organizational environmental commitment and activity as well as measuring customers own commitment and actions in relation to the environment. The results of the study confirm the existence of green contracts, whereby customers expect and will support organizations who act in an environmentally responsible manner, where the values of environmental protection and commitment accord with their own. Indeed, it is arguable that developing green contracts with customers will lead to higher levels of emotional attachment as customers experience an intrinsic value from using green products/services (Hartman & Ibanez, 2006).

We submit that a green contract is not a homogeneous concept. Rather, the character of a green contract is contingent on the values, outlook and behaviors of customers and organizations. Of those customers and organizations who express an interest and commitment in green issues, we submit that it is possible to distinguish degrees of environmental commitment using the classification of green, greener and greenest (Grant, 2007). Just as we have argued that both organizations and customers will differ in relation to their level of environment commitment and actions, we argue here that this results in the formation of different types of green contract. It is theorized that the deeper the level of environmental commitment and activity engaged in by customers, the higher the expectations that customers will have in relation to organizational environmental commitment and actions. Conceptually, we distinguish five variants of green contract, dependent upon the level of environmental commitment and behavior shown by customers and organizations. Figure 1 presents diagrammatically a model of the types of green contract according to the level of environmental commitment and activity shown by customers and organizations, while Table 6 outlines definitions for each of the five variations of green contract.

*- INSERT TABLE 6 HERE –*

*- INSERT FIGURE 1 HERE –*

This conceptualisation of the green contract is offered as a tool to help guide future research initiatives seeking to examine the degree to which customers take into account green issues when engaging with organizations as looking at the degree to customers expect organizations to act and behave in an environmentally responsible manner. Future research could empirically test the validity of this conceptualisation, looking at each of the theorized green contract variants and how these contracts may help explain the expectations or customers and organizations.

**Study Limitations**

Several of the key measures used in the study are based upon self-report data. Most notable in this regard are variables related to an individual’s level of environmental commitment and actions taken to support the environment, which directly question the participants own level of commitment and proactivity in relation to the environment. As environmental issues and climate change have been identified as critical global issues and a threat to global society, many customers have been keen to demonstrate their green credentials (Kachel & Jennings, 2009). Consequently, social desirability bias has the potential to affect the accuracy of the data. Chung and Munro (2003) defined social desirability bias as the tendency of individuals to appear more altruistic and society-oriented than they actually are as well as the inclination of individuals to admit to socially desirable actions and deny socially undesirable ones.

Second, the study asked participants for their perceptions of organizational environmental commitment and organizational environmental actions. While Starbuck and Mezias (1996) argued that perceptual data plays an important role in theories and studies related to organizations and management and as a predictor of behavior, greater reliability can be achieved through the use of objective measures. Moreover, in some situations, participants may be unaware of the extent of organizational proactivity in relation to the environment and this can affect the veracity of the data.

**Implications for HRD**

With its emphasis on maximizing human potential and securing sustainable organizational, community and societal development (McLean & Wang, 2007), the field of human resource development must acknowledge the centrality of environmental goals in human, organizational and societal development. As both Becker (2011) and Ardichvili (2012) commented, there is a need for the field to champion the integration of social, environmental and economic goals for the organization over the long‐term through HR and human capital policies and practices. This call for greater action on environmental issues recognizes that there is a need for leadership in directing knowledge and resources towards addressing the challenges posed by climate change. Also, Tome (2011) argued that HRD investments are critical to producing more responsible sustainable activity in organizations. He maintains that through the education and training of workers, positive environmental practices and innovative approaches can be encouraged and a broader focus on employee, organizational and societal well-being can be fostered, rather than irresponsible and unrelenting economic expansion.

The need to address environmental concerns also aligns with the ethical and moral values underpinning the field of HRD. For organizations to grow sustainably requires new developmental pathways and changes to existing values and modes of working (Scully-Russ, 2012). The existence of a green contract recognizes a dynamic relationship exists between customers and organizations. There is a growing social normative influence on organizations to mirror customer trends and develop more eco-friendly products and services (Kim, Lee & Hur, 2012). To achieve sustainable economic growth however, it is arguable that organizations need to promote greater education and environmental awareness among both employees and customers. Appointing a “green champion” may represent one route to generating greater awareness in relation to environmental issues and encouraging the spread of green practices across organizations and society.

The existence of a green contract stresses the increasing importance being placed by organizations and customers on the environmental and sustainability agenda. It highlights changing green mindsets on behalf of customers and organizations and recognizes that customers are voluntarily engaging in proactive environmentally friendly consumption and are becoming increasingly concerned with issues of sustainable consumption and sustainable product development. This shift in expectations places an onus on organizations to develop and transform their systems of production and distribution to meet higher environmental values and standards and use resources in a prudent and sustainable manner. Moreover, the concept of a green contract elevates consciousness and awareness of environmental issues and offers organizations the opportunity to work collaboratively with customers to transform the experiences of both parties and build a more sustainable future.

In spite of its limitations, the study appears to signal some important outcomes for understanding the relationship that exists between customer and organizational commitment and actions towards the environment and the subsequent customers’ expectations. In summary, it is hoped that the concept of a “green contract” will help organizations and HRD researchers gain a better understanding of how customers can best be integrated in the global environmental cycle while positively affecting the bottom line.

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**Table 1: Means, Standard Deviations and Correlations amongst the Study Variables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variable** | **Mean** | **S.D.** | **1** | **2** | **3** | **4** | **5** |
| 1.Customer Environmental Commitment | 5.04 | 1.02 |  |  |  |  |  |
| 2 Customer Environmental Actions | 4.89 | 1.18 | 0.65\*\*\* |  |  |  |  |
| 3 Perceived Organizational Environmental Commitment | 3.58 | 1.39 | 0.62\*\*\* | 0.49\*\*\* |  |  |  |
| 4 Perceived Organizational Environmental Actions | 4.30 | 1.10 | 0.26\* | 0.31\*\* | 0.52\*\*\* |  |  |
| 5 Organizational Satisfaction | 5.75 | 0.82 | -0.19 | -0.11 | -0.05 | 0.38\*\*\* |  |

**Notes:** \* P<0.05; \*\* P<0.01; \*\*\* P<0.001

**Table 2: Linear Regression of Customer Environmental Commitment on Perceived Organizational Environmental Commitment**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **B** | **SE** | **β** | **R²** | **Adjusted R²** | **F** | **Significance** |
| Constant | -0.337 | 0.579 |  |  |  |  |  |
| Customer Environmental Commitment | 0.804 | 0.113 | 0.617 | 0.380 | 0.373 | 50.958 | 0.000\*\*\* |

**Notes:** \* P<0.05; \*\* P<0.01; \*\*\* P<0.001

**Table 3: Linear Regression of Customer Environmental Actions on Perceived Organizational Environmental Actions**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **B** | **SE** | **β** | **R²** | **Adjusted R²** | **F** | **Significance** |
| Constant | 3.019 | 0.438 |  |  |  |  |  |
| Customer Environmental Actions | 0.271 | 0.088 | 0.308 | 0.095 | 0.085 | 9.512 | 0.003\*\* |

**Notes:** \* P<0.05; \*\* P<0.01; \*\*\* P<0.001

**Table 4: Linear Regression of Perceived Organizational Environmental Commitment on Organizational Satisfaction**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **B** | **SE** | **β** | **R²** | **Adjusted R²** | **F** | **Significance** |
| Constant | 5.838 | 0.232 |  |  |  |  |  |
| Perceived Organizational Environmental Commitment | -0.028 | 0.060 | -0.047 | 0.002 | -0.008 | 0.215 | 0.644 |

**Notes:** \* P<0.05; \*\* P<0.01; \*\*\* P<0.001

**Table 5: Linear Regression of Perceived Organizational Environmental Actions on Organizational Satisfaction**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **B** | **SE** | **β** | **R²** | **Adjusted R²** | **F** | **Significance** |
| Constant | 4.516 | 0.318 |  |  |  |  |  |
| Perceived Organizational Environmental Actions | 0.284 | 0.071 | 0.379 | 0.144 | 0.135 | 15.805 | 0.000\*\*\* |

**Notes:** \* P<0.05; \*\* P<0.01; \*\*\* P<0.001

**Table 6: Green Contract Variants**

***Transactional Contract***

* Both customer and organization have surface levels of environmental commitment and green issues may be viewed as a short-term “feel good” trend

***Transcendent Contract***

* Organization is highly committed to green issues and hopes to educate and motivate customers toward greater environmental responsibility.

***Transitional Contract***

* Both customer and organization are moving towards greater green commitment. Both parties have begun orienting their values and behavior around green issues.

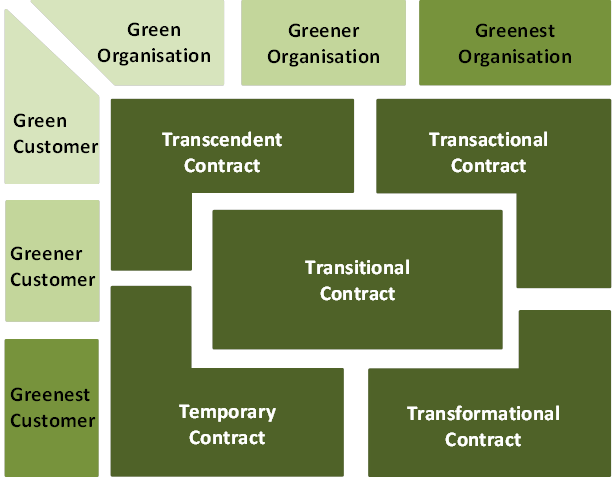
***Temporary Contract***

* Customer displays a higher level of commitment to green issues than the organization and is likely to move loyalty to a greener organization once one becomes available

***Transformational Contract***

* Both customer and organization are highly committed to enduring sustainable environmental change. Green Contract characterized by high levels of mutual support.

**Figure 1: Types of Green Contract**



(Inspired by Grant 2007 and Rousseau 1995)