Leadership in environmentally sustainable transformation of private companies in Russia

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Abstract

As the number of global problems is proliferating, the issue of sustainability is gaining increasing recognition. One of the most imperative aspects of sustainable development is environmental sustainability. Since multinational corporations are the main drivers of global economy, maintaining the balance between economic interests and the health of natural ecosystems would have been impossible without drastic transformation of organizational business practices. The focus of this paper is oriented at the corporate greening undertaken by companies in the country with a huge potential to influence the state of the world ecology: the Russian Federation.

The purpose of the study is to gain deeper understanding of the motives of Russian firms to make their operations more environmentally sustainable and of the challenges embedded in the Russian setting that hinder that process. We test the relevance of factors discussed in the greening literature on the Russian context i.e. financial and market-based incentives, stakeholders’ pressure, regulatory setting and leadership perspective and ethical considerations. Within the data collected from 8 business leaders, it was found that the main motives to go “green” were the financial one and the ethical stance of the leaders. Additionally, companies were motivated to go “green” due to forecasts on the future development of the Russian market, i.e. explaining their “green” initiatives as a part of strategic planning programs. Among the main challenges mentioned by the study participants were weak environmental regulatory apparatus and low participation of the Russian civil society. The study concludes by putting forward recommendations of how to facilitate the corporate greening process in Russia stating that legislation should be solidified, transparency of the economy should be strengthened, market-based instruments shall be further developed and educational events for raising environmental awareness should be get wider application.

Keywords

Environmental Sustainability, Corporate Greening, Green Business, Russia
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Our warmest thanks,

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1. Introduction

“The monumental challenge of ensuring that as many as ten billion people are decently fed and housed without damaging the environment on which we all depend, means that the goal of environmental sustainability must be reached as soon as humanly possible”

(Goodland, 1995, p. 21)

1.1 Background

The number of environmental problems is proliferating. Among them are air and water pollution, growing carbon-dioxide emissions, depletion of biodiversity, etc. Climate change is by far one of the most worrisome issues the humanity is facing nowadays.

Until recently, economic growth and environmental issues have been analyzed separately. However, in last decades it became more apparent that the extension of the world economy is closely associated with downside effects for the ambient. For instance, the level of carbon dioxide emissions has increased fourfold since 1960 and continues soaring alongside the rise of world GDP (The World Bank, 2014). International consensus regarding the causes of global warming can be discerned as 90-100% of scholars agree that it is attributable to the anthropogenic activities (Cook et al., 2016).

Therefore, international community in the face of governments, international organizations and businesses are becoming increasingly concerned with the task of finding the balance between economic interests and environmental and social objectives. In 1972, the report “Limits to Growth” by D. Medouz and Y. Randers was published, revealing relationship between population growth, industrial production and the depletion of resources. Since the 1980s, the ecological agenda became widespread, entailing the development of “green” technologies, toughening of standards and growth of environmental investments. In the same period, the theory of sustainable development was first formulated. The “Our Common Future” report of the World Commission on Environment and Development defines the
concept as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (1987, p. 6). This strategy has received even greater recognition at the global level after the United Nations Conference in Rio de Janeiro in 1992, where leaders of 172 states met to discuss the environmental issues encompassing the world. In the adopted declaration, known as Agenda 21, principles were formulated on which political and economic decisions of modern and future society should be based (Lafferty & Eckerberg, 2013). Since the beginning of the 21st century, the issue of environmental protection has come to the forefront of public debate. The concept of sustainable development permeated multilateral agreements (such as Kyoto Protocol and Paris Agreement) and national legislation of many countries.

Thereby, the so-called “decoupling” goal has become a central task for the international community. It implies breaking the nexus between economic growth and deterioration of natural systems (UNEP, 2011). Since once of the main catalysts of environmental issues are multinational corporations the abovementioned objective would be unattainable without drastic reconsideration of the current business model.

With the regard of the above, the issue of transforming business into becoming more environmentally sustainable has become one of the most relevant topics of the international agenda. Global trend towards sustainable business strategies is gaining momentum. An increasing number of companies has started to highlight sustainability as a part of their corporate mission. For example, 78% of the most influential businesses in the world listed in Fortune 500 annually report on their efforts in making their operations “greener” (KPMG, 2017).

Evidently, the trend is rapidly unfolding and that is why it is a topical theme for research. The particular focus of our study is oriented at green business transformation, in other words at transformation of making it more environmentally sustainable. Why is the environmental side of the issue so important? Humanity is highly dependent on proper functioning of ecosystems, i.e. nature, and on its ability to produce raw materials, energy, foodstuff etc. Without viable environment that can generate vital resources for supporting life, economic
systems would fail leading to breakdown of the society. Thus, without environmental sustainability it would be evidently impossible to achieve the socio-economic ones. In these circumstances, many scholars deem environmental sustainability as the most imperative element of the three-legged sustainability model (Morelli, 2011). Consequently, more and more countries, including Russia, realize that taking care of natural assets rather than exploiting them is an integral part of stable economic growth (Cherp, et.al., 2003).

We focus our research on the country with a lamentable environmental record: the Russian Federation. Russia has the largest territory in the world and is ample with natural resources that need to be preserved. It has been often referred to as “Lungs of Europe” because of its vast forests (The Guardian, 2003). Therefore, it is crucial that the country takes measures to mitigate environmental degradation and to maintain ecological balance in the area.

During the Soviet period, governmental authorities did not put much effort in making the economy “greener” as environmental protection was considered secondary to industrial development. This attitude resulted in such catastrophic consequences as the desiccation of the Aral Sea as well as widespread water and soil contamination (Pryde, 1991). When Putin assumed the presidency in 2000, the country embarked on extracting fossil fuels and commercial exploitation of natural resources. This has hindered the possibilities to promote the idea of sustainability and is often referred to in literature as a “dirty recovery” from the Soviet Union collapse (Bobylev, 2005). Simultaneously, during Putin’s term the role of international non-governmental organizations has been decreased after introduction of a series of the so-called “foreign agents” laws that compelled all NGOs to engage in lengthy registration processes thus hampering their activity (Machleder, 2006).

However, the situation is now changing. Pressured by its liabilities in international treaties, the country is trying to toughen its legal base regarding environmental protection. For example, Russia may ratify the Paris Agreement by 2020, according to Sergei Donskoy, the Russian Minister of Natural Resources and Environment (TASS, 2017). Besides, legal solidification is also needed to adhere to the strict standards of its main trade partners from Europe that are sensitive to environmental protection. Nevertheless, there is still a gulf
between formal environmental regulations and the state agencies’ abilities to actually enforce them (Newell and Henry, 2017). Thus, even though companies are legally obliged to follow these new rules many of them express low interest in improving their environmental management any further. On the other hand, since the overall “green” market trend is becoming the new paradigm of doing business in the world, many other Russian leaders are also gradually coming to the realization that there is a need to make their operations more environmentally sustainable. As Vagit Alekperov, the president of LUKOIL, second largest company in Russia by revenue, stated in his speech: “The company actively contributes to environmental discussions and cooperates with the UN and the WWF on the restoration of biodiversity. We believe the reconciliation of technical progress and lower environmental impact both achievable and indispensable” (LUKOIL, 2017). Apart from that, there is an increasing number of new “green” startups in Russia that are launched with the idea of sustainability as their primary competitive advantage.

Hence, this observed variance in the decision of companies in terms of embarking on sustainability or not makes it an interesting topic for investigation of the actual motives why some Russian firms choose to make their businesses more ecologically friendly and the challenges that might thwart this transition.

We believe that the idea of green economy should be promoted in Russia to a greater extent because taking a step into a new, low-carbon era could bring many economic benefits. There is huge potential for green modernization of many industries especially those related to natural resources utilization (forestry, water, etc.) Therefore, we would like to contribute to the development of the “green” economy in Russia by conducting this research.

1.2 Problem Discussion

Against the background discussed above, in this paper we are going to shed more light on factors contributing to and hindering environmentally sustainable transformation in Russia. It can be achieved by means of exploring the motives of Russian leaders and the challenges they face when making businesses “greener”.
The arguments for conducting this study are the following. In terms of theoretical value, this research is relevant because the topic has not been extensively explored yet. Reviewing the “greening” literature for Russia has revealed that it mostly focuses on the challenges of the Russian context with regard to corporate greening. Moreover, they are usually studied separately focusing on a specific aspect in particular on the weakness of regulation (Smetanina et al., 2014; Newell and Henry, 2017) or lack of NGOs (Crotty and Hall, 2013). However, research fails to provide a comprehensive explanation of what are the motives of Russian leaders to transform their business activities into more environmentally sustainable. Available studies also lack an overall perspective taking into considerations all motives and challenges. There are works that do approach this issue holistically, but they are conducted either conceptually (Worthington, 2013) or with regard to other contexts. More specifically, the focus is usually oriented at more developed countries namely the Great Britain or Japan (Bansal and Roth, 2000) or on other transition economies primarily China or India (Liu et al., 2011). Russia seems to have been ignored in literature in comparison to the mounting research on environmental business transition in other nations. Thus, there is still a lack of knowledge about what exactly is happening, why it is happening and to what extent it has already happened. Why some companies choose to “go green” despite the barriers existing within the Russian context and what are the reasons why others do not want to follow suit? We believe that this lack of research on the topic is a significant omission considering the country’s potential to influence the state of the global environment. Therefore, it is scientifically interesting to investigate on this phenomenon and to begin bridging some of the gaps in understanding how Russia is starting to address the issue of environmental sustainability.

As for the practical value, this research can be useful for putting forward recommendations on how to further promote the idea of environmental sustainability. Since it is the businesses’ activities that have the most significant impact on the natural systems, more measures need to be directed at fostering “greening” of their managerial practices. The problem is that recommendations that are present in literature today seem to be outdated and lacking as they need to be developed taking into consideration the holistic view on all the motives and
challenges of corporate greening in Russia. In order to understand what remedies will be most successful, it is important to find out what are the current reasons to make company’s operations more environmentally sustainable. It would help both set an example for other firms interested in the “green” transition and it can show which practices already in place prove to be the most effective (so that they could be further strengthened by the authorities). Understanding the challenges embedded in the Russian context would help in formulating solutions to the existing obstacles.

1.3 Research Questions

RQ1: What are the motives that Russian leaders mention as reasons for transforming their businesses into becoming more environmentally sustainable?

Addressing this question would help us reveal the opportunities that exist in Russia in terms of environmentally sustainable business transformation. It would evince what was the inspiration behind such decision. For example, it could be market driven, related to legal circumstances, made out of ethical considerations or out of the desire to manage company’s brand image or for other reasons. Moreover, it would help identify who can be seen as the main initiator of this process. For instance, it could be put forward exclusively by the CEO or it could be led by the marketing department etc. From the theoretical point of view, understanding these motives is important because it would help to find out how institutional, cultural and other factors can affect country’s success in “green” transition. From a more practical perspective, exploring the motives is needed to shed light on what business transformation strategies are more applicable in the Russian context. This, in turn, would set an example for other companies that are also interested in embracing the “green” trend and in making their operations more ecologically safe. The first research question naturally poses the second one.

RQ2: Out of these motives, what are the existing challenges within the Russian context in relation to transforming business into a more environmentally sustainable one?
Finding the answer to the second research question would let us identify what constraints might impede the process of business transformation into becoming more environmentally sustainable. Awareness of these challenges also has both theoretical and practical value. As for the former, it would allow to draw general conclusions regarding the importance of context in the trend towards green transformation of companies in Russia. For instance, such contextual circumstances as economy structure, legal provisions, cultural heritage, industry customs shaped throughout history etc. can be some of the reasons why this trend is not gaining momentum in the country. Thus, it would be interesting to identify these forces and find out which of them has a greater impact. As for the practical value, recognition of these challenges can help Russian leaders obviate the problems that have been encountered by their colleges when embarking on the “green” transition virtue. In particular, it would allow for circumventing the obstacles and would help focus attention on the tactics that are less troublesome to implement.

1.4 Purpose of the Study

The purpose of this study is twofold. Firstly, it is to obtain deeper understanding of business leaders’ perspective on green transformation of private companies in Russia. Thus, we aim to examine the motives of Russian business leaders to work with more ecologically friendly technologies and practices and the challenges they face in this undertaking.

The second purpose of the study is to develop recommendations on what could be further done in order to foster “green” transition of companies in Russia. The analysis of existing motives to embark on corporate greening and the challenges faced in this process is helpful for outlining what measures need to be undertaken by authorities so that the “green” trend gains momentum on the Russian market.

Achieving these two aims can make this paper interesting for researchers, environmental activists and students keen on sustainable development, as well as business leaders who intend to make their companies more environmentally sustainable or future leaders who are willing to set up a new “green” business. This thesis would be of interest to the scientific
community, as there is not much research done in this specific area of study in Russian context and we would like to contribute to its development.

1.5 Delimitations

As the topic of sustainability is quite broad and can be discussed from many different perspectives, we find it necessary to narrow it down and outline some delimitations of our study.

First of all, sustainable development and “green” business is a global trend. However, we would not be able to cover this topic within several economies or make any comparisons between different countries due to the limited amount of time for the research. Therefore, we focus our study only on one country – the Russian Federation. In particular, we are going to concentrate on the Moscow region. Although it is not representative of other Russian cities, it is deemed as the most appropriate site to conduct the study since this is the region where the “green” trend has gained the most recognition so far.

Secondly, the thesis deals only with private sector companies which are intrinsically Russian, and excludes government, state-regulated institutions, international organization, foreign companies operating on the Russian market etc. We aim to collect interviews among firms both with successful experience of implementing sustainability ideas into their businesses and companies who potentially can but do not implement these ideas.

Thirdly, the particular focus of our research is oriented at “green” transformation of Russian businesses. By this, we mean only the environmental side of the issue of sustainability, without consideration of its other socio-economic aspects (even though they are equally crucial). It is also important to mention that we use terms of “corporate greening”, “becoming green” and transition towards being more “environmentally sustainable” as synonyms in this paper.
2 Literature review

“Everything we do has an environmental impact, and economic decisions pervade all we do”

(Pearce and Barbier, 2000, p. 249)

2.1 Environmental sustainability and corporate greening

The “Our Common Future” report of the World Commission on Environment and Development defines the concept of sustainability as “development that meets the needs of the current generation without compromising the ability of future generations to meet their own needs” (1987, p. 6). The term encompasses three aspects: social, economic and environmental. In this thesis, we will focus only on the latter one while using the concept of business transition towards being more environmentally sustainable as a synonym term to “corporate greening”.

2.1.1 Defining environmental sustainability and corporate greening

Environmental sustainability is a subset term to ecological sustainability. The latter is described through enriching the general definition of sustainability cited above by adding a provision for the state of the nature: “meeting human needs without compromising the health of ecosystems” (Callicott, et al., 1997). The term “ecological” stands for a wider context than only human experience. The word “environmental”, on the other hand, is used to emphasize the interdependences of anthropological activities and the condition of ecological system.

*Environmental sustainability* can be, hence, defined as “a condition of balance, resilience, and interconnectedness that allows human society to satisfy its needs while neither exceeding the capacity of its supporting ecosystems to continue to regenerate the services necessary to meet those needs nor by our actions diminishing biological diversity” (Morelli, 2011, p.4). Analogously, Vezzoli and Manzini refer to environmental sustainability as
“systematic conditions where neither on a planetary nor on a regional level do human activities disturb the natural cycles more than planetary resilience allows, and at the same time do not impoverish the natural capital that has to be shared with future generations” (2008, p. 6).

The OECD Environmental Strategy (OECD, 2001) outlines four criteria for the concept of environmental sustainability:

1. **Regeneration** – resources that are renewable should be used in the most efficient way and not exceed their long-term regeneration rates;
2. **Substitutability** – resources that are non-renewable should be used in the most efficient way and their use shall be limited to levels that can be offset by substitution with renewable resources or other forms of capital;
3. **Assimilation** – releases of polluting substances into the environment should not exceed their assimilative capacity;
4. **Avoiding irreversibility** – irreversible negative effects of human activities on the environment and on biogeochemical and hydrological cycles should be avoided.

As the idea of environmental sustainability has gained wider acceptance, companies have started to apply it into its corporate practices. It can be realized through corresponding adjustments in organizational input and output (Goodland, 1995). As far as the output is concerned, it is necessary that firms’ waste and pollution emissions are kept in those amounts that the environment is able to assimilate. In terms of input, companies should strive for collecting harvests of renewable resources with the rate that does not exceed the regeneration abilities of ecosystems. Non-renewable resources cannot be handled in a fully sustainable way, but the approach could be optimized so that the substitutes for them are created faster than these resources are completely depleted.

Consequently, Vezzoli and Manzini (2008) identify 15 principles that should be observed by organizations in order to achieve environmental sustainability. Among them are choosing materials that keep the balance in biodiversity, using sustainable energy resources, investing in energy efficiency, manufacturing products that could be recycled or reused, designing
business practices with reduced emissions and waste, choosing delivery ways that prioritize low-impact transportation modes etc.

Companies’ attempts to integrate environmental sustainability into their business practices has led to introduction of the term of corporate greening. The notions of “being green” or “green business” are still subject to discussion. Worthington refers to “green firms” as to those that “have been involved in a deliberate process of internal change which is aimed at addressing adverse environmental and human impacts” (2013, p. 68). These changes are represented by transitions in corporate values, policies, business practices and systems, product design, adopted technologies etc. Therefore, corporate greening is the process of the abovementioned transformations required in order to mitigate environmental impact. The word “process” is central because it is not only the result that counts but also the undertakings in which those results are achieved including the role of individuals that pioneer environmental issues into their business.

2.1.2 Indicators and measurement of environmental sustainability at firm level

With the growing interest to the topic of sustainable development as well as to corporate sustainability, the world scientific community began creating ways to measure companies’ performance in environmental sustainability. Up until now, there is no universal formula for such assessment. Due to the complexity of the term “environmental sustainability”, it is difficult to identify what the exact criteria for it could be. Neither it is possible to give any precise criteria for environmental sustainability at firm level (Kleiner, 1991).

Firstly, indicators for environmentally sustainable development per se need to be developed in order to avoid overlap with social and economic dimensions of it. For that reason, it is crucial to minimize the complexity of the environmental sustainability definition so that a clear formula for measurements could be drawn. Otherwise, the measurement mechanism would be flawed (Shmelev, 2011). Second, these indicators should be measured in a wide sense, using both quantitative and qualitative methods. On the one hand, indicators that could be applied universally need to be developed in order to be able to make comparisons between countries. On the other hand, the national or local context should not be neglected (Moldan,
et.al., 2012). Therefore, the measurement system needs to be sufficiently uniformed to make comparisons between countries meaningful, but it also crucial to recognize the significant differences between economic, social and environmental conditions in which companies operate.

It would be logical and simple for understanding to use numeric values for measuring sustainability. Therefore, the measurement point could be baselines with a set of sustainability targets that would vary depending on an industry and serve as a basis for companies, for instance, to assess the quality of soil, water and air or to measure CO2 emissions in the manufacturing areas. In all quality assessments baselines are involved, implicitly or explicitly, and are the dimension according to which the indicator gauges the subject in question (Rydin, et.al., 2010).

The project was focused on developing a set of indicators at federal level for Russian regions, as they all differ in terms of both their geographical location and economic background (for example, Tomsk is rich with oil and gas and Voronezh is more an agricultural region).

In Russian context, some baseline indicators have been developed by the initiative of the Russian Ministry of Economic Development and Trade together with the UK Department for International Development (Rydin, et.al., 2010) that were applied at the regional level. The UK’s sustainability indicators were used as a basis for the project and included the level of greenhouse gas emissions, natural resource consumption, water use, etc. The project was focused on creating such indicators that could be easily interpreted, rather than being complex and aggregated. In the absence of a sustainable development strategy, the indicators were based on socioeconomic development strategies at federal and regional level (Rydin, et.al., 2003). However, there is still no holistic system of environmental corporate indicators that companies could adhere to and that would be linked to their activity and values.

Measuring environmental sustainability at firm level cannot be restricted only to following baseline targets, nonetheless. Corporate greening process is not only about reaching certain criteria but also about company’s values and vision, its participation in environmental partnerships, cooperation with NGOs and environmental groups of interests, involvement in
promoting eco-literacy, commitment to long-term “green” initiatives etc. Thus, a total measurement of a firm’s “greenness” is beyond the reach in absolute sense, it can be assessed only systematically. As Worthington states it should be evaluated as “a progress along a road for which there is no ultimate and definable destination” (2013, p. 226).

Bearing this in mind, it is logical to conclude that in order to judge company’s progress in achieving environmental sustainability, its overall environmental strategy and leadership style need to be taken into consideration.

2.1.3 Environmentally sustainable business strategies

Amidst growing recognition of the necessity for corporate greening, more and more entities embrace environmental concepts into their business strategies. Environmentally-driven companies use specific strategic approaches focusing their operational activities on decreasing negative environmental impact throughout every step of product design and manufacturing (Albino, et.al., 2008)

Scholars distinguish four key or “generic” types of environmental management strategies: reactive, defensive, accommodative and proactive (Buysse and Verbeke, 2003). Hart (1995) classifies these strategies more specifically as end-of-pipe approach, pollution prevention or total quality management, product stewardship and sustainable development with the use of resource-based theory.

The reactive or end-of-pipe kind of strategies are used to describe companies that tend to disregard the importance of ecological issues and allocate only limited resources to addressing these problems. The improvements in their environmental performance is often made only in order to conform to legal obligations.

The pollution prevention strategies are also often referred to as a “cost leadership approach” (Buysse and Verbeke, 2003). This is because firms that adopt such strategies aim to continually abate emissions or waste below the level set by authorities but not only out of
the motive to comply with legislation but also because it is associated with being more efficient and thus more economically sound.

Product stewardship implies that the entire cycle of product creation is designed in a way that minimizes detrimental effects for the environment. In order to do that, firms need to practice some form of life cycle analysis that would allow to gauge ecological impacts caused by the product manufacturing throughout the entire process: starting with selection of clean materials, production techniques, means of distribution, packaging methods and ending with consumption and disposal aspects (Buysse and Verbeke, 2003).

Finally, sustainable development approaches require long-term vision, substantial investments and commitments. It implies mitigating environmental damage caused by the firm’s growth by means of clean technologies (Hart, 1995).

Proactive response that goes way beyond adherence to regulation is undoubtedly deemed the most favorable type of sustainable strategy. It demands “a quantum leap in all aspects of corporate life and behavior” (Strachan and Lal, 2002). Within this approach, it is the leadership task to build trust and to inspire such values that would meet needs both internal and external stakeholders. It requires strong communicative skills and a great deal of storytelling from a “sustainable leader”.

2.1.4 Definition and key characteristics of a sustainable leader

Green business strategies is a frame of how leadership is exercised. As mentioned above, adopting a proactive strategic approach is deemed the most favorable for fostering “green” transition of companies in a taken country. A set of certain skills and expertise needs to be employed by the organizational leader in order to put such transition into fruition. Therefore, understanding what kind of a leader can handle such an increasingly complex task is important.

There is no universal concept of a sustainable leader since ideas about its meaning are constantly emerging and being refined. However, formulating such a definition is essential
in order to be able to adequately assess company’s achievements in pursuing strong sustainable leadership. A definition by McCann and Holt suggests that *sustainable leadership* is concerned with “…creating current and future profits for an organization while improving the lives of all concerned. It reflects an emerging purposeful consciousness among people who are choosing to live their lives and lead organizations in a way that accounts for their footprint on the earth, society and the health of a global economy” (McCann, et al. 2010, p. 208).

Researchers in this area also suggest a number of characteristics that are distinguishable for a sustainable leader (Tideman et al., 2013):

- **Focused on the context**, able to recognize interdependences and embrace ambiguity, having a holistic and systems thinking. They understand that we live in a dynamic world and that no action occurs in isolation.
- **Conscious**, having strong personal beliefs and an environmental mindset, authentic. “Sustainable leaders make the notion “sustainability” personally relevant, grounding action in a personal ethic that reaches beyond self-interest” (Ferdig, 2007, p. 32).
- **Long-term strategic orientation**. “As the organization continuously raises the bar and leverages sustainability to create competitive advantage, it increasingly views sustainability as a strategic opportunity and gauges its progress with metrics that reach beyond the short and medium term” (Tideman et al., 2013, p. 29)
- **Collaborative and connected**. Being able to build trust and fairness as well as serve the needs of all stakeholders.
- **Creative and adaptive**, willing to take risks. Sustainable leaders know how to solve not only linear problems with disciplined execution but also have a more innovative and flexible approach allowing them to tackle “structural tension between their future vision and current reality” (Tideman et al., 2013, p. 28).
• **Inspirational and able to influence others** to engage in sustainable transformation. They have integrity and are able to convey clear and appealing message that would be persuasive throughout the whole organization and that would instill a deep sense of purpose among followers. They can promote environmental awareness among employees so that every person in a company understands why his environmental impact is important and realize the footprint on the Earth that future generations have to face.

Possession of the abovementioned traits and qualities would undoubtedly stimulate the “green” transition of a company led by such a leader. However, corporate greening is a far more complex issue than just a result of leadership employment. In order to understand the full richness of why such transformation takes place, it is crucial to study the main theoretical factors driving this process taking into consideration the possible challenges arising from them.

2.2 Analytical framework for motives and barriers to corporate greening

In this section we examine the main reasons for corporate greening: financial and market-driven incentives (Russo and Fouts, 1997; Ambec and Lanoie, 2008; Kiron et al., 2012), stakeholders pressure (Henriques and Sadorsky, 1999; Buysse and Verbeke, 2002; Darnall et al., 2010), environmental regulation (Porter and van der Linder, 1995; Winter and May, 2001; Smetanina et al., 2014), leadership perception and ethical considerations (Wood, 1991; Sharma, 2000; Reyes-Rodriguez et al., 2013). Most of these papers are dedicated to analyzing these motives separately. Bansal and Roth (2000) examined these factors together and tested them in the context of the Great Britain and Japan. In a similar vein, Worthington (2013) also spoke about these four distinct groups of drivers for corporate environmentalism illustrating them on numerous western companies.

In our research, we will test the motives outlined in the Figure 1 on the firms in Russia and out of these motives will find out what are the existing challenges.
2.2.1 Financial and market-driven incentives

The first motive to be sustainable is to acquire economic wealth. Companies’ decision to adopt more environmentally benign practices is undoubtedly contingent on the money matter. While leader’s ethical stance might be enough to trigger the transition towards a
“greener” business model in the first place, this commitment is likely to falter unless sustainability adds to profitability over time. The win-win nature of “green” strategies continues to be debated in literature, as many believe that additional costs created by adopting “greener” technologies or adhering to environmental legislation can erode competitiveness (Walley and Whitehead, 1994; Plaza-Ubeda et al., 2009). However, the majority of studies challenges this paradigm and suggests that being environmentally sustainable can indeed be tantamount to being more cost-effective and thus increase economic performance (Porter and van der Linde, 1995; Russo and Fouts, 1997; Agaron-Correa and Rubio-Lopez, 2007; Clarlson et al., 2011).

It is then sensible to argue that the “green” movement is now approaching a tipping point at which organizations do not only understand the general need for making their business practices more environmentally sustainable but also learn how to derive financial benefits from these activities (Kiron et al., 2012). Thus, today such strategies are not only a socially appealing opportunity, but also a competitive necessity.

As Kiron et al. (2012) propose, environmental sustainability efforts of a company often result in decreasing operating costs, increasing revenue, improving brand integrity and employee engagement. The reasons why such positive link between economic results and “green” initiatives exists are various. One of them is that such efforts result in enhanced efficiency of the company’s resource deployment (Russo and Fouts, 1997). The resource-based view on the firm’s success implies that the competitive advantage is determined by the ability to utilize assets in a way that produces superior performance comparing to other rivals on the market. Resources per se are classified as tangible (plants, equipment, raw materials etc.), intangible (reputation, technology etc.) and personnel-based (culture, expertise of employees etc.)

2.2.1.1. Lower cost of materials and energy

With regards to the former, the underlying assumption is that physical assets itself cannot produce premium profits, but it is the advanced methods of their effective utilization that can. “Pollution is a manifestation of economic waste and involves unnecessary or incomplete
utilization of recourses… Reducing pollution is often coincident with improving productivity with which resources are used” (Porter and van der Linde, 1995, p. 99). Bearing this in mind, Porter contends that when a company adopts a technology that helps manage waste or increases energy efficiency it is not only sustainable but is also economically sound because as it lowers costs through increased productivity. Echoing his reasoning, Bansal and Roth (2000) also claim that “by intensifying production processes, firms reduce their environmental impacts while simultaneously lowering costs of inputs and waste disposal” (p. 718). Although, many other scholars came to conclusions that “green” initiatives do not necessarily lead to cost reduction, it is still practically evident that a myriad of companies have managed to be both ecological and lucrative. For example, a study conducted by Lanoie (2000) illustrated examples of more than 50 businesses of diverse size and industry that succeeded in reducing both pollution and the cost of resources, energy and services by means of various innovative approaches such as use of waste as a source of energy, reuse of water etc.

2.2.1.2. Improved reputation

As for the intangible assets, good reputation for leadership in eco-friendly affairs can be itself a source of market advantage. It increases loyalty among environmentally conscious customers. Numerous companies (such as Procter & Gamble, ARCO, Ben & Jerry’s etc.) attribute a share of their profits to the reputation for pro-environmental initiatives that have been undertaken in past without the need for new “green” campaigns (Harrison, 1993).

2.2.1.3. Increased employee engagement

Finally, when it comes to the personnel-based group of asserts, there is ample evidence that environmental damage prevention policies bolster employee engagement (Russo and Fouts, 1997). This is due to the fact that operating within a sustainable business model that would create good value for both the company and the environment is a more sophisticated task than mere compliance with governmental regulations. It is “a more comprehensive and socially complex process than compliance, necessitating significant employee involvement, cross-disciplinary coordination and interpretation and a forward-thinking management
style” (Russo and Fouts, 1997, p. 538). Therefore, such policies require cooperation between all the company’s units responsible for design, manufacture, customer relations, etc., which results in enhanced organization commitment, cross-functional integration and increased learning. These, in turn, have a positive impact on the firm’s bottom line since it decreases the cost of absenteeism and turnover (Ambec and Lanoie, 2008).

2.3.1.4. Better access to capital

In terms of cost reduction, it is also worth mentioning that sustainable initiatives can be financially attractive as they can decrease the cost of capital (Ambec and Lanoie, 2008). Firstly, there is a growing number of “green” funds. With the help of those funds investors make sure that their money is used by companies that meet specific “green” criteria (such as the absence of environmental litigation etc.) Secondly, ecological companies find it easier to borrow money from banks. This is due to the fact that many banks evaluate the size of potential liabilities associated with environmental damage litigations. Finally, capital can be obtained easier if there are governmental initiatives aimed at allocating money on “green” projects.

2.2.1.5. Access to new markets

For other organizations, the positive link between adopting sustainability-driven initiatives and augmentation of profits is explained by the fact that such measures facilitate access to new markets and expand the pre-existing ones (Porter, 1991; Kiron et al., 2012). Producing eco-friendly products with “green” marketing and eco-labelling can allow companies to exploit niches on the market with environmentally minded customers. Ambec and Lanoie (2008) draw a practical example of the commercial success of Patagonia that launched a new line of products made of recycled materials in 1990s (even though they were sold at a higher price). Additionally, Ambec and Lanoie suggest that access to new markets is especially relevant for companies selling to governments or other businesses. More specifically, authorities might adopt “green” public purchasing policies that encourage manufacturers and suppliers to produce environmentally preferable goods and services such as, for example, presetting limits of how much electricity should be acquired from renewable sources.
Similarly, companies trading with partners that have environmental requirements about their contractors also benefit from sustainable initiatives. For instance, in 1992 Body Shop International introduced a stringent evaluation system for its suppliers’ ecological performance namely the Supplier Environmental Star-Rating Scheme that favored cooperating with “green” business partners (Wycherley, 1999).

2.2.1.6. Selling green and pollution-control technology

Finally, sustainable initiatives can be profitable for companies that favor innovation and allocate significant amounts on the “green” R&D. They can lead technological breakthroughs and enjoy the “first mover” privilege by selling their innovative decisions, technology for pollution-control and other environmental expertise (Ambec and Lanoie, 2008).

Undoubtedly, there are still challenges that lie ahead. For instance, it might take years before a company can actually succeed at taking advantage of the sustainability-related activities (Kiron et al., 2012). The reason is that such transition is time and money consuming as it implies adopting an entirely new perspective on how the business should operate. Moreover, the positive impact of most of the above-mentioned factors on the organizational finances is still controversial. In particular, the notion that environmental reputation spurs sales among ecologically minded customers can be easily debated. For example, one survey conducted in France evinced that while 80% of adults claim to favor purchases of green products, only 10% actually make such purchases regularly (Guilloux, 2006). In less developed countries, customers might not be sensible to ecological issues whatsoever. Nevertheless, it is still evident that many companies managed to reap financial benefits from their green transition. Thus, it is tenable to insist that in many cases it indeed does “pay to be green”.

2.2.2 Stakeholders pressure

The second motive is associated with managing relationship with stakeholders. Nowadays, companies are facing ever-increasing pressure to become more sustainable from the part of stakeholders who can be defined as “any group or individual who can affect or is affected
by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). They can affect a company’s practices by direct pressure or through conveying information aimed at forcing firms to diminish their negative impact on the environment.

Stakeholders can be classified as primary and secondary stakeholders based on type of relationship they entertain in the organization (Darnall et al., 2010). The former have a direct economic stake in the organization (employees, suppliers, customers, financiers etc.) while the latter exert more of an external influence on the company’s performance and have no formal transactions with the firm in question (interest groups, the media etc.) Stakeholders can also be categorized into *four groups*: regulatory stakeholders, organizational stakeholders, community stakeholders and the media (Henriques and Sadorsky, 1999).

Regulatory stakeholders include the governmental authorities (the influence of which has been discussed above), trade associations (that diffuse information about upcoming legislation), informal networks (that collect information regarding new technologies) and firms leading in environmental affairs on the market (that can dictate industry norms). Stakeholders of this group (apart from the government) can exert their influence to persuade authorities to solidify certain ecological legislation or to standardize environmentally driven technology.

The second group comprises of stakeholders “who are directly related to an organization and have the ability to impact its bottom line directly” (Henriques and Sadorsky, 1999, p. 89), i.e. customers, suppliers, employees, shareholders and investors. In recent years, there has been a major shift in consumers’ preferences as they have grown to become more concerned about environmental issues (Kiron et al., 2012). Nowadays, products are expected to be sourced, produced and packaged sustainably and still have a reasonable price. If it is not, customers might express their discontent by boycotting a firm’s product or filing a suit against it (Ambec and Lanoie, 2008). Similarly, suppliers can refuse to work with the counterpart if it uses the deliveries in an environmentally unsustainable manner that, in turn, can impair the supplier’s reputation. Employees might go on strikes in order to voice their dissatisfaction with regards to “dirty” methods of production etc. (Buzzelli, 1991) Finally,
shareholders can exert influence by selling off their shares (Creeno and Robinson, 1992) while investors can retract their money or abstain from extending new loans if the project does not meet their ecological criteria.

Community stakeholders group refers to community associations, ecological societies, non-governmental organizations and other special interest groups. These influencers can affect public opinion to support or to vilify a given company’s environmental behavior (Clair et al., 1995).

The last group of stakeholders is represented by the media that can shape public perception regarding a particular firm’s performance. Their influence is especially strong amidst crises since mass communication prefer to cover “embarrassing” failures rather than success stories (Sharbrough and Moody, 1995).

As the result, the threats posed by these four groups of stakeholders induce companies to improve their environmental practices. Going “green” is then commonly seen by the scholars as a way to reduce the risk associated with relations with stakeholders (Ambec and Lanoie, 2008). More specifically, causing less damage to the ambient means having to face fewer fines and litigations and thus lower liability costs (Lankoski, 2006). Companies with good environmental record also face lower risk premium from the part of investors (Buysse and Verbeke, 2002). Additionally, dealing with environmental stakeholders can also have a positive impact on the non-environmental ones. For instance, it can help obtain approval of unions and authorities working with safety and health issues (Amber and Lanoie, 2008). With this regard, companies adopting environmental strategies often cooperate with different stakeholders (such as NGOs etc.) in the development of ecological standards. As a practical example Buysse and Verbeke (2002) delineates the case of IKEA. In response to criticism about its contribution to the tropical forests’ destruction, the company teamed up with Greenpeace in order to find a more sustainable source of timber.

The level of actual linkage between the stakeholders’ pressure and the greening of corporate strategies has been extensively studied with different approaches adopted and various conclusions drawn. Most researchers agree that it depends on the company’s environmental
pro-activeness. For instance, Henrique ad Sadorsky (1999) argue that the level of a firm’s motivation to transform the business model towards a more sustainable one under the pressure of stakeholders will depend on whether this company is proactive or reactive. The latter would not view ecological issues as priority and will be insignificantly influenced by the stakeholder’s pressure. The former, on the contrary, would try to change their course of actions when necessary in order to appease stakeholders and alleviate the pressure. Another factor that influences the linkage in question is the cultural context. For instance, Bansal and Roth (2000) found that Japanese and British companies react differently to the same group of stakeholders. In particular, while the firms from Japan were insensitive to local communities’ concerns, the firms from the Great Britain paid more attention to that in order to avoid bad publicity.

2.2.3 Regulatory setting

The third motive to go “green” is to comply with legislation. Environmental regulation is the set of requirements that aims to achieve environmental objectives that markets fail to deliver (OECD, 2016). The importance of legislation in inducing corporate environmental responsibility has been widely recognized and appears to be evident: it helps tackle the market failure problem and contributes to the well-being and the long-term sustainability of economic expansion (Bansal and Roth, 2000). This necessity, however, is often countered by the notion that it can undermine company’s competitiveness. Subsequently, a myriad of studies has been conducted to analyze the nature and cost of environmental regulation as well as to examine companies’ motivation to actually adhere to these rules.

2.2.3.1 Cost of compliance

As the implementation of environmental protection rules has begun to become ubiquitous, focus of research in this area has turned direction at examining the cost burden of compliance and the ways to compensate for these costs. Many scholars believe that adherence to environmental protection rules can never be cost-free because it deprives of the opportunity to follow other more financially attractive routes (Crotty and Smith, 2006). Other researches have managed to come to more promising conclusions and contend that regulatory
compliance can have a positive impact on the firm’s financial performance (Porter and van der Linde, 1995; Darnall, 2009) as it bolsters innovation and resource productivity. This idea stems from the assumption that organizations operate in the dynamic world constantly looking for solutions to the challenges they face including the pressure from regulators.

Thus, the policy itself should be designed wisely so that it triggers innovation and enhances competitiveness in the end. An effective regulatory system therefore should not be concentrated on imposing strict standards (with set deadlines and mandate for specific technologies etc.) but should rather focus on encouraging risk taking, experimentation and flexible approaches (Porter and van der Linde, 1995). It would allow companies to focus on the production process itself rather than on the secondary treatment of waste and pollution. In other words, it should be balanced in application of both coercive and flexible mechanisms.

2.2.3.1 Coercive and flexible methods of regulation

Environmental regulation theory has been evolving throughout time. Forty years ago, when there was limited information on ecological management, it seemed logical that the only way to intervene is to make the “polluters” accounts for the cost of the damage to the ambient with coercive regulatory approach (Fiorino, 2006). It included the use of various enforcements regimes with such “command-and-control” instruments as directives, permits, licenses, inspections etc. This approach soon evinced its limitations: there was more conflict than collaboration between imposers and executers; regulators were unable to keep up with high-tech advancements when defining the best available technologies etc. However, coercive regulatory methods still remain to be one of the primary means of environmental protection in many countries (Worthington, 2013). The style and extent of enforcement vary, however. For example, environmental legislation can impose bans on certain activities or set quotas on them; fix limits on the level of pollution or usage of listed resources; mandate types of technologies that must be used etc.

As coercive methods of regulation evinced its weaknesses, many countries started addressing this issue by introducing flexible or market-based instruments (MBI) of
regulation. Such methods refer to “various financial (or other) incentives or disincentives to shape firm-level behavior, using price signals within the market to influence corporate decisions” (Worthington, 2013, p. 50). In other words, these instruments provide economic stimulus beyond mere compliance. Among the most commonly used MBIs are environmental taxes, subsidies, compensatory incentives, pollution fees, tradable emission permits, incentive marketing schemes such as property rights allocation for creating a market for environmental goods etc. Wider application this approach results in increased flexibility, less legalism and better site for innovation.

Alongside the development of coercive and market-based methods, voluntary environmental protection methods have started to emerge. Voluntary instruments (VIs) encompass three main types: public voluntary programs, negotiated agreements and unilateral commitments (Worthington, 2013). The former refers to commitments that are designed by environmental agencies that offer technical, financial or other assistance for ecological objectives and invite companies to participate in the project by assuming the abovementioned commitments. The second form of VI implies commitments developed in the process of negotiations between state authorities and companies. In return for fulfilling these obligations by the industry, the government agrees not to introduce an environmental legal act. The last form of VI refers to “green” projects with a set of environmental targets initiated by companies independently with a purpose of improving brand image, impressing stakeholders, investors etc. For example, the ISO 14000 family of standards can be attributed to this type of voluntary initiatives. It covers various aspects for improving company’s environmental management systems such as life cycle analysis, performance evaluation, auditing processes, etc. (Smetanina, et al., 2014).

2.2.3.3. Motives to comply

In order to learn how to derive benefits from environmental regulation its adherence must be first assumed. Therefore, it is important to understand the motives why firms decide to go “greener” in response to governmental norms. Bansal and Roth (2000) insist that the main rationale is to legitimize business activities or “to improve appropriateness of actions within
established set of regulations, norms, values, or beliefs” (p. 726). It allows companies to obtain license for their operations and to ensure long-term survival.

Compliance motives can also be classified as calculated, normative and social (Winter and May, 2001). The former one implies that the advantages of compliance (such as preventing penalties) exceeds the cost of compliance. Thus, the perceived risk of detection and subsequent sanctions is the reason why entities decide to adhere to the legislative environmental norms.

The second motivation stems from the firms’ sense of moral duty and general agreement with the necessity of environmental regulation. This motive is also referred to as ideological commitment, perceived obligation to obey the law, fear of shame or consciousness. On the one hand, this sense of duty is based on the internal values of the regulated company. On the other hand, it is dependent on the overall reasonableness of the imposed rule and the fairness of authorities in enforcing it.

The last type of motivation, labeled as the social motivation, stems from the company’s aspiration to win public approval and respect. Winter and May (2001) have revealed that the combination of social (from the part of media, competitors etc.) and normative (from the part of managers themselves) pressures was more effective in encouraging entities to comply with environmental norms in contrast to strong-arm methods with severe sanctions. Hence, they argue in favor of the formal approach (entailing regular inspections) but against the coercive and over-bearing one.

Another aspect to consider why companies might not be motivated to abide by governmental norms is their ability and capacity to comply (Winter and May, 2001). The former refers to the company’s awareness of the regulations that can be increased by enhancing transparency of the rules, reducing complexities and vagueness so that it can be easily understood and followed. The latter stands for the regulatees’ financial ability to afford new equipment and materials, adopt a new reporting system and other administrative modifications that are required in order to act in accordance with the new policy. All of these measures entail costs
and if the organization lacks financial resources it will seek ways to circumvent the new legislation.

2.2.3.4. Environmental regulation in Russia

Environmental regulation practices and its instruments differ in various countries. While in some states legal framework for environmental protection is already well established and developed, in Russia it has still not sufficiently evolved and remains at low quality (Bochkova and Mami, 2017). Among the core instruments of environmental law in Russia are quality standards (that set the level of permissible pollution of water, air, soil and foodstuff), environmental assessments, fines, environmental licensing and limited forms of subsidizing. Coercive mechanisms prevail over incentive ones with the latter used very limitedly. Voluntary approaches such as adoption of environmental management systems with accordance to ISO 140000 standards are becoming more common in Russia but are still a relatively rare occurrence. “Many unfeasible or unenforceable rules are still in force. Economic instruments remained ineffective in changing environmental behavior. The compliance assurance strategies continued to rely on the “check and punish” approach. While regulatory requirements are contradictory or sometimes unrealistic, the emphasis placed on “compliance with rules” hinders the acceptance of regulation and lowers credibility of the government.” (Environmental Policy and Regulation in Russia, OECD, 2006, p. 5). Most of the abovementioned tools have been inherited from the Soviet Union and do not meet the needs of modern economic life. Therefore, many business representatives deem them obsolete (Smetanina et al., 2014). For that reason, there is also a significant implementation gap. In order to ameliorate the situation, the government intends to apply fundamental changes to the environmental law by 2020 (Smetanina et al., 2014).

2.2.4 Leadership perception and ethical considerations

The fourth motive why companies go “green” is as simple as because it is “the right thing to do” from their standpoint (Wood, 1991). In this case, a firm chooses to be sustainable out of the sense of obligation and philanthropy. It is driven by a genuine concern for the social good rather than by self-interests.
Among the ecological initiatives that can be illustrative within the scope of this motivation are donations to environmental interest groups, launching a “green” product despite of its lesser projected profitability compared to the “dirty” analogue, utilization of recycled paper in production, sorting out and recycling office wastes etc. (Bansal and Roth, 2000). When a company engages in this sort of activities, they place more emphasis on the ethical criteria of these measures rather than on the pragmatic side. This is the main distinctive feature of this type of motivation, because all the other three reasons were associated either with finding ways to be more profitable or with reduction of potential costs and risks. In this case, however, financially optimal solutions are considered irrelevant.

In order to understand what encourages firms to evaluate their role in the society in the first place it is important to understand the impact of top management team members’ perception of the green agenda and the role of company’s values.

As far as the top management is concerned, it is often the case that ecological initiatives are first put forward by a single individual, i.e. “sustainable leader”, or by a small group of executives (Bansal and Roth, 2000). Studies conducted by Lawrence and Morell (1995) and Winn (1995) support the same idea stating that it is the top management of an organization that is responsible for the company’s environmental initiatives. These people should be powerful enough to convey their values in a persuasive manner and should view environmental issues as opportunities rather than threats (Sharma, 2000). The importance of the vision of the top executives is also emphasized by Reyes-Rodriguez et al. who claim that “managerial attitude is of critical importance in relation to forming the goal as well as its impacts on the subsequent actions… It affects how they coordinate and encourage collaboration among different divisions and departments, how environmental leadership is reflected in the formulation of new environmental policies and goals” (2013, p. 167).

The decision to go “green” is also often a natural ramification of the firm’s corporate values. If the whole “green” agenda can be appropriately embedded in the company’s culture, then it is more likely that such initiatives will take place. Sharma describes this as “legitimation of environmental issues as an aspect of corporate identity” (2000, p. 682). The nature of
Corporate identity shapes frames of references that influence managerial interpretations of the firm’s strategic decisions. As Dutton and Dukerich contend, “a knowledge of an individual’s beliefs about an organizational identity is crucial for discerning the importance of an issue, its meaning, and its emotionality” (1991, p. 547). In other words, if environmental consciousness fits in the firm’s corporate culture then it is more likely that ecological initiatives will be launched. While if it does not, such initiatives will be met with more resistance. An example of a culture that could be hospitable for inclusion of environmental concerns is the one with a broad corporate social responsibility focus.

It is also important to mention, that such approach is still advantageous for the company itself in many ways. Firstly, there are benefits that the company derives in relation to improvement of employee morale (Bansal and Roth, 2000). The so-called “feel-good factor” is created that can be defined as the sense of satisfaction for righteous deeds. It results in improvement of employee engagement who start actually believing in what they are doing. This, in turn, can potentially have a positive effect on the firm’s productivity. As Reinhardt argues, “an improved image of the company results in an improved atmosphere in the workplace. People who feel proud of the company for which they work not only perform better on the job, but also become ambassadors for their company with their friends and relatives, enhancing goodwill and leading to a virtuous circle of good repute” (1999, p. 11). Secondly, in general, it is deemed more attractive in the eyes of customers when the company’s decision to go “green” is idealized rather than rationalized (Bansal and Roth, 2000). Thus, it can potentially result in increased customers’ loyalty.
3 Methodology

“... I am interested in finding out how you talk about things, how you see things. I want to understand things from your point of view”

(Spradley, 2003, p. 46)

3.1 Methodological Approach

The overall approach of the study is abductive. It could be described as a mix of deduction since the research process begins with formulating “theory, often developed from reading of the academic literature, and designing a research strategy to test the theory” (Saunders et al., 2016, p.145) and induction as it continues with “collecting data to explore a phenomenon used to generate or build theory” (ibid.). Therefore, taking into consideration the lack of “greening” literature with regard to Russian context and the determination to extend the existing corporate greening theory with inclusion of insights from Russian leaders, the abductive research design was deemed to be the most appropriate. In line with this approach, we started by reviewing the literature to develop a comprehensive preliminary model and designed a research strategy to test it on the Russian setting. Subsequently, we continued by accumulating empirical data that would help explore the issue, possibly confirm or contradict the topics identified in the “greening” literature and allow to develop them. After thorough analysis, conclusions were drawn, and an extension of the existing model was framed. In the result, recommendations were put forward.

The purpose of the study is exploratory. Such studies are useful to find out what is happening, to seek new insights and is especially applicable in situations where the researcher needs to understand the nature and the roots of the problem (Saunders et al., 2016). Similarly, in our project we purpose to gain better understanding of the reasons why Russian leaders do or do not long for transforming their businesses into more sustainable ones. The overall goal of the investigation is to provide readers and potentially future leaders with information regarding what possibilities and obstacles exist in the country when
embarking on the endeavor of making your organization more ecologically-safe in Russia in particular.

3.1.1 Qualitative Research

We have decided to use the qualitative approach for this study as we contend that it would allow for a more comprehensive understanding of social phenomena and human behavior in contrast to the quantitative one that deals primarily with numbers and statistics. Qualitative research is more effective when it comes to grasping the richness of people’s experience and will provide us with the opportunity to capture multiple perspectives from the interviewed leaders. As Corbin and Strauss suggest “there are endless possibilities to learn in a qualitative research, because researcher is able to connect, and interact with participants at a human level, and get better access to their participants’ stories, observations, and explanations of the phenomenon” (2008, p. 13).

3.2 Research Method – Multiple Case Study

As far as the research method is concerned, we have decided to go with the multiple case study strategy. This strategy is especially relevant for studying complex issues where the focus is oriented at analyzing the context (Morris and Wood, 1991). It provides an opportunity to generate answers to questions of “why”, “what” and “how”. Thus, it is particularly suitable for our project as we aim to examine the importance of the Russian context in the “green” business transformation process. Multiple case study approach is chosen instead of the single case one since it allows to explore several sources with some common characteristic. The rationale for this decision is that it lets establish similarities occurring in participants’ stories that, in turn, makes it possible to generalize the findings (Saunders et al., 2016).

We believe that with the proposed research design it would be feasible to answer the posed research questions because the chosen approaches and strategy are both suitable for analyzing social issues that take place in a certain context. In our case, it is the process of environmentally sustainable transformation of companies within the Russian setting.
3.3 Data Collection

For this study, both primary and secondary data were used.

3.3.1 Primary Data

*Primary data* for this research paper was gathered by means of semi-structured interviews. As the nature of our study is exploratory, this type of data collection appears to be the most suitable. We considered that interviewing approximately 6 to 10 companies would be sufficient to obtain the answers to the research questions, get a clear picture of the issue and draw conclusions. This number was deemed appropriate for a case study strategy and seems to be adequate in terms of allowing us to grasp comprehensive understanding of the phenomena. In result, we conducted 8 interviews. One of them was the representative of the Russian State Duma. Although he is not a business leader as the other interviewees, he is quite knowledgeable on the matter, as he is a driving force of green businesses in Russia in terms of their regulation. He provided us with valuable insights on the global trend of environmental sustainability and gave us important information regarding environmental legislation in Russia.

We believe it was necessary to conduct interviews both within the companies that have already implemented the idea of “green” transition into their business and within those that have not. It provided us with different perspectives regarding what possibilities and challenges that exist in Russia in relation to environmentally sustainable transformation of business operations. Participants were selected among members of management boards, sustainability directors or members of sustainability teams of private Russian companies, with no regard to age or gender. In our interviews, only one representative of a company was answering the questions. We reached them by e-mail, described the purpose of our study and asked for an appointment of the interview.

Telephone calls and skype conferences seemed to be the most appropriate and less financially burdensome way to conduct interviews with business leaders. All the interviews were recorded. Each interview lasted approximately from 30 to 40 minutes. We arranged the
standard list of questions that we prepared for all interviewees and supplemented with open-ended ones, formulated specifically in response to the participant’s comments such as “Could you elaborate on that?”, “What do you mean by that?”, etc. (Spradley, 2003) The interviews were held in Russian language, transcribed and translated into English for this thesis by the researchers. We used pseudonyms for names of the companies and participants that requested anonymity to stick to the principle of harm avoidance and to maintain confidentiality in our research. The list of participant companies is presented below in Table 1.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Professional Role</th>
<th>Industry</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Igor</td>
<td>State Duma Deputy</td>
<td>Government</td>
<td>22.04.2019</td>
</tr>
<tr>
<td>Vladimir</td>
<td>CEO and Founder</td>
<td>Furniture Industry</td>
<td>26.04.2019</td>
</tr>
<tr>
<td>Andrey</td>
<td>CEO and Founder</td>
<td>Dairy Industry</td>
<td>27.04.2019</td>
</tr>
<tr>
<td>Alexander</td>
<td>Head of Manufacturing</td>
<td>Machinery Industry</td>
<td>01.05.2019</td>
</tr>
<tr>
<td>Ekaterina</td>
<td>Managing Director</td>
<td>Investment Group</td>
<td>03.05.2019</td>
</tr>
<tr>
<td>Marina</td>
<td>Managing Director</td>
<td>Consulting Industry</td>
<td>06.05.2019</td>
</tr>
<tr>
<td>Irina</td>
<td>Sustainability Director</td>
<td>Tobacco Industry</td>
<td>08.05.2019</td>
</tr>
<tr>
<td>Nikita</td>
<td>CEO and Founder</td>
<td>Fashion Industry</td>
<td>10.05.2019</td>
</tr>
</tbody>
</table>

Table 1: List of interviews

Source: constructed by the author
The initial interviews were broad in scope because we wanted to reveal a wide range of motives and challenges. We started interviews by asking the general attitude towards the “green” trend and its applicability in the Russian context. We then moved on to ask questions about the company’s experience with respect to ecological initiatives if they engaged in such and about the motives and challenges they faced. If the firm has not yet embraced the “green” trend, we moved on directly to asking what the reasons for this decision were. As the research process progressed, the interview questions became more specific as we tried to ascribe more details into emerging patterns.

3.3.2 Secondary Data

As for the secondary data, we used companies’ reports, statistics, business journals, scientific articles, news, etc. Reviewing greening literature on the matter helped to conceptualize initial model that we tested on the empirical data accumulated. Thus, secondary data played an important role since it guided us in the primary data collection process.

3.4 Data Analysis Process

As far as the analysis techniques are concerned, we analyzed the empirical data by categorizing it i.e. by developing categories and attributing them to meaningful chunks of data (Saunders et al., 2016). It implies seeking similarities and differences as well as finding out overall trends that can be explained within the presented theoretical framework. With this approach, it is possible to compare bits of information between various cases, see if there are any patterns and correlations, make sense out of them with appreciation of the context and draw conclusions in the result. Categorizing was effected within the scope of the directed content analysis approach (Hsieh and Shannon, 2005). It implies referring to preconceived categories, i.e. to the preliminary model we conceptualized based on existing greening literature. Within this approach, we were guided by key concepts and pre-established categories already defined in previous research. If findings did not correspond to initial coding schemes, they would be given a new code, thus extending the existing theory. The
goal was to find a theoretically meaningful and consistent set of motivations and challenges. All the findings made in the thesis are based only on the data collected, with regard to the specific Russian context.

In data analysis process we acknowledge the fact that communication is an important instrument of data collection in this study. Therefore, it was crucial to understand how to avoid misunderstandings and wrong interpretations. When conducting the interviews, we made sure that theoretical concepts or specific terminology are known to the interviewee and that we have the same understanding of the terms (Saunders, et al., 2009).

3.5 Credibility of the Research

Credibility of research refers to “the confidence in how well data and processes of analysis address the intended focus” (Graneheim and Lundman, 2003, p. 109). In order for the research to be credible, we put much emphasis on two aspects of the research design – validity and reliability (Saunders et al., 2016). During our research, we took all the necessary steps to make our study trustworthy and to minimize the probability of a false interpretation of our data.

In this thesis, we made sure that the chosen methods of data collection and analysis do not influence our key findings so that our thesis can be considered reliable (Creswell, 2017). Many careful thoughts were taken to ensure coherence of our methodological approach: we would go back and forth between research design aspects in order to reach congruence among question formulation, selection of interviewees, collection and analysis strategies etc. We adhered to a specific set of questions during the interviews in order for the answers of different participants to be equally reliable and set the same definition of the arguable terms with the interviewees to avoid any misunderstandings and to interpret the interviewees’ answers correctly.

Validity shows whether the findings of the thesis accurately correspond to the reality and are logical (Klenke, Wallace and Martin 2016). To achieve high level of validity in qualitative research, the studied subject needs to be examined from all the possible angles and
perspectives (Arbnor & Bjerke, 2009). In other words, the more sources you use the more credible your research is. Our concepts and conclusions are expected to be valid because we have used different perspectives and critics when conducting the research, as well as studied a lot of literature on the topic. For this purpose, we used both primary and secondary data extensively in order to draw valid conclusions. When gathering empirical data, we chose participants from various industries, locations, with both positive and negative experiences with corporate greening etc. This has enriched variation of the phenomena and increased the possibility to shed more light on the issue. Bearing all of this in mind, we believe to have achieved a decent level of credibility.

3.6 Challenges of the research

There is a number of obstacles that were encountered along the way. The most concerning issue was the difficulty in terms of gaining access. Firstly, it was problematic to find the companies that actually managed to implement the changes needed for transforming their operations to be more environmentally sustainable. There are definitely a few examples on the Russian market but most of such companies are too big to care for assisting students with their research. Secondly, when we found organizations that met our criteria it was challenging to convince them to engage in such voluntary activities as giving interviews to students i.e. to give physical access (Saunders et al., 2016). After all, it is time-consuming, and firms cannot possibly agree to cooperate with all the researches. Finally, there was a cognitive access problem as well (Saunders et al., 2016). If companies agreed to participate in our research, their lack of interest and our low status resulted in long time responses. In order to overcome the first challenge smartly we tried to refer to various consultancy agencies as well as people from our network that worked directly with firms on the matter in question. They, in turn, gave us advice on whom to approach and helped get in touch with potential study participants. As for the cognitive access issue, we tried to appreciate the goodwill of the company at all stages of the research and tried to do our utmost to foster it further.
Additionally, we always needed to be aware of the *time limits*. Thus, all the plans regarding both gathering the data and actually getting down to writing the paper corresponded to the set timeframe. We planned to finish gathering both primary and secondary data by beginning of May 2019 and to focus on analyzing until the middle of the month. The rest of time was used for finalizing the project. Finally, there are challenges associated with the possibility of misinterpreting the information and other aspects that depend on the research skills of the authors.

### 3.7 Ethical Considerations

Another problematic aspect was related to *ethical considerations*. We needed to make sure that the voluntary nature of the research was maintained by providing the participants with an opportunity to withdraw at any stage of the study (Creswell, 2017). Moreover, there was a matter of keeping information confidential especially in case of companies that were less successful at making their business operations more environmentally sustainable. This element proved to be of particular importance because otherwise participants were unwilling to reveal information. The abovementioned points corresponded to the non-maleficence principle meaning that the whole study should be conducted in the manner that avoids causing anxiety, stress, embarrassment or any other negative effects (Saunders et al., 2016). Finally, it goes without saying that during data procession and storage processes it was treated fairly and objectively, i.e. we refrained from being selective about which data to report as it could lead to misrepresentation of its statistical accuracy (Saunders et al., 2016).

### 3.8 Work progress and authors’ contribution

The contribution of both authors is deemed equal and fair. We worked in parallel throughout the whole research process keeping in touch with each other on a daily basis. We constantly devoted time to brainstorm together. When ideas emerged, we would decide how to divide pieces of work in a most effective way possible and would set a certain deadline for completion of these tasks and putting them together in the paper. While we worked on some parts separately, we still gave each other feedback, constantly revised each other’s parts and
proof read. That would allow for taking into consideration perspective of both authors. The distribution of work was proportionally balanced and corresponded with each other’s strengths and weaknesses. For instance, Elizaveta was focused more on the theoretical conceptualization sections (Literature Review Chapter) while Natalia on the primary data gathering process (Empirical Data Chapter). Such allocation of responsibilities was due to mutual agreement that the latter possesses better communication skills while the former has better text immersion abilities. The rest of the chapters were composed in a joint effort. In particular, the data analysis and conclusion parts, were put down together since they required more complex scrutiny and inventive ideas that should come simultaneously from both authors.
4 Empirical Data Review - The stories

“...achieving sustainability is a journey for business, and while many are on the path, no firm is sustainable”

(Sharma and Henriques, 2005, p. 159)

This chapter will be dedicated to the revision of the data collected from the case studies. We will first delineate each story separately and in the next chapter, we will focus on analyzing the data on a deeper level in order to find similarities and differences, compare with the theoretical model presented in the literature review section and draw conclusions. In order to adhere to the anonymity principle, the first names of the participants and companies’ names in the paper were modified. One exception was made for Askona at the request of the owner. For the same reason, we do not mention participants’ last names.

4.1 The State Duma – Green businesses in the eye of policymakers

Igor is the State Duma Deputy engaged in the development of green companies in Russia by the aid of financial instruments. The State Duma is the lower house of the Federal Assembly in the Russian Federation that is in charge of regulation of social relations, securing scientific approach and efficiency of laws in the context of changing market conditions and new global challenges. Igor is currently involved in the process of establishing norms of standardization and verification of “green” bonds. Under his supervision, the State Duma Committee acts as a driving force for stimulating Russian businesses to acquire more ecologically sustainable initiatives.

Defining the terms

Igor admits that globally experts give various definitions for the terms “green business” and “sustainable development”. For example, wind energy definitely relates to green technologies, and using coal as an energy source is not green at all. Some experts argue if atomic energy is green or not. There are Asian systems of green criteria that are mainly
national, for instance, Chinese. What we see today, is that we cannot align with any standards on this issue, as there is practically no universally accepted standard or measurements for that at all.

According to Igor definition, green business is the right balance between profits and ecological risks. As far as technologies are concerned, Igor would speak not about renewable resources, but about minimizing ecological risks (negative ecological impact produced by companies). Nowadays there are companies, multinationals and countries that produce too many ecological risks. If the world ignores these activities, it will face greater ecological problems in the future. Therefore, it would make sense to stimulate industries to become greener and to decrease ecological risks.

**Ecological businesses in Russia**

In present times, the growing trend for sustainability can be observed worldwide. Concerning this issue, there are subjective and objective reasons for that. Russian businesses are motivated to go “green” as well. Igor states that all Russian companies, especially large ones, are engaged in sustainable development from the ecological point of view. Among the most outstanding examples could be Norilsky Nikel and Rusal. Both companies spend great amounts of money for developing ecological programs. Igor notes here that the majority of such companies are linked to regional economies and actively implement ecological programs there.

The Russian government provides support of “green” businesses. However, this support has no systematic and regular approach. Unfortunately, it mainly depends on the level of communication and already existent connection between a given company and the government.

**Lack of standards**

In Europe OECD spends a lot of money for developing ecological standards for businesses. These standards are practically used not only by Europe, but also by the whole world. ICMA
plays an important role in supporting these standards. In Russia, there is the Federal Ecological Act. There are Federal Agencies that are in charge of monitoring companies in following the ecological legislation in Russia. In some cases, even the Criminal Code can be applied to companies in terms of ecological law.

Igor exhorts that it is necessary to create a universal system that could be applicable to all Russian regions with the help of which companies would be stimulated to go “greener”. In order to fulfill this aim, financial instruments could be helpful. In Russia, companies could follow international practice, for instance, financing through “green” bonds. There is definitely a variety of perspectives for “green” companies in Russia. Igor believes that it is always better to stimulate rather than to control.

4.2 Askona – Orientation towards future

Vladimir is the founder and the CEO of Askona. The company designs and sells bedroom furniture and happens to be the largest mattress manufacturer in Eastern Europe. After 25 years of operation on the market, the company has opened more than 900 stores and earned high reputation cooperating with such world-famous hotel chains as Hilton, Radisson, Marriot etc. It has been granted one of the most respectable and coveted Russian national awards “Brand No.1”. The firm has reached these outstanding results because of the superb quality of its products. In particular, one of the promises that Askona guarantees to keep is that they will apply “the principle of environmental responsibility” when producing their items.

*How did they get there?*

According to Vladimir, until recently the combination of words “sustainable development” was just a meaningless phrase for him and his colleagues at Askona. However, 6 years ago the company entered in partnership with IKEA which set stringent environmental requirement for its suppliers. The group wanted packaging to be ecological and biodegradable. Vladimir was perplexed by IKEA’s undertaking to compensate for Askona’s costs related to the transition to this eco-friendly solution. He could not comprehend why
they would engage in voluntary enlargement of expenses for such a questionable aspiration of being “green”.

However, 4 years ago when the company completed their transformation and adopted the technology recommended by IKEA, Askona realized that this way of doing business turned out to be more economically sound in comparison to the practices used before. Since then the company started working on its own environmental strategy. In 2017, Askona for the first time included sustainability as an objective in their strategic planning and development program for all divisions. Now they are proud to say that they use mainly ecologically friendly materials in their products.

*Generation shift drives the “green” transition*

Although the pressure from IKEA’s was the initial trigger that made Askona’s CEO start considering ecological initiatives in the first place, the actual reason why the firm decided to go “green” is the changing customer preferences. Vladimir believes that as the Generation Y and Z are approaching the age to enter their targeted group; their customers will be growing increasingly sensitive to environmental issues. In order to satisfy demands of these future customers, adjustments in the way Askona positions itself, in its communication, marketing etc. are required. Moreover, the key element of this transition will be orientation towards environmental sustainability. “A substantial part of the strategic planning and development program we are working on now is dedicated to environmental management: from improving energy efficiency to launching a line of new ecoproducts”, he said. Vladimir motivates the need for these changes solely with financial perspective as he argues that these changes will add to profitability in the long run. “Business is business. It is not about emotions. I wouldn’t do it myself if it wasn’t for the sake of business”.

*Why do not peers follow suit?*

According to Vladimir, the environmental regulation in Russia is “obsolete” and “practically inexistent”. He refers to legislation as a “prehistoric” set of laws that deal primarily with waste management. Therefore, in his opinion, there are no actual coercive incentives in
Russia that would mandate companies to become more ecological. Nevertheless, he believes that the situation will change because nowadays ecology is becoming one of the central topics of discussion in the government.

Another reason is that there is a lack of marker stimulus. Customer base is mainly represented by Generations X and Y. According to Askona’s marketing department, the former “do not care about the ambient at all”. The latter support the idea of being “green” but are still not ready to pay extra for eco products. Thus, the market does not respond to environmental initiatives. According to his projections, the situation in Russia will change when the next generation of consumers ages because they are more educated and better informed. “The society is developing gradually. It would be impossible for a country that had a command economy only 30-40 years ago to transform that quickly. But the process is on, we are evolving, and we are evolving quickly”.

Overall, Vladimir believes that the main reason why many other companies do not follow suit is undeveloped mechanism of strategic planning. The current conditions to be “green” are not favorable enough but companies should act proactively and bear in mind both the plausible future changes in environmental legislation and the upcoming shift in customer demands. “The whole green agenda is gaining recognition in Russia these days. A few years ago, it was deemed absurd, today it is considered normal, but in five years it will be held necessary.”

4.3 Cheese Company – Competitive price versus being green

Andrey’s perception of the “green” trend is Russia is quite unenthusiastic. Andrei owns a medium size dairy product company with several plants in the Moscow region and Nizhny Novgorod, which we will refer to as the “Cheese Factory”.

*Lack of incentives*
Nowadays, the most his company does in terms of being “green” is using energy-efficient lamps. As a matter of fact, they tried to implement solar panels on their plants in 2005, but it turned out to be too costly. There was also no economic stimulus to do it: while in many other countries, the government pays households for excess electricity they export to the grid, in Russia there is no such practice.

As far as the regulation matter is concerned, Andrei believes that the government control over food products quality is very limited. He argues that 70-80% of dairy products in Russian supermarket are “fake” and not even made from actual milk, let alone from ecologically produced one. To support his stance, he referred to the statistics of cow population in Russia that has decreased more than fourfold in 30 years while the sales of milk have been rising.

The firm only complies with ecological standards of international companies they supply their products to such as Auchan, SPAR etc. However, as Andrei says “It does not mean being “green” it just means meeting contractual requirements of your partners. You do not ask why, you just do it in order to avoid conflicts”.

According to him, it cannot “pay to be green” selling dairy products in Russia because the customer “is not ready”. The root of the problem he sees in the overall underdevelopment of the Russian economy that manifests in low wages. This means population cannot afford to pay extra for ecological products. “Ecology is something you start to think about when you already have sufficient means to provide for essential goods. Now no one wants ecologically produced cheese, people just want it to be cheap and we are meeting these demands”.

Looking ahead

Yet, Andrei’s outlook on future of the dairy market is hopeful. He is currently conceptualizing a line of cheese products that would be ecologically clean and organic throughout the whole supply chain from controlling the quality of feedstuff to cows to producing cheese with the use of environmentally friendly technologies and selling it under eco-labeling. However, he believes that the price for that would be high enough to become
unalternative amidst “environmental negligence” of the current generation of customers. His projection is that it might “pay to be green” in Russia only in about 5 years from now, that is when he is planning to launch his new eco-product. Still he expressed doubts that it will happen. In this case, his strategy would be to export eco products to other countries. However, for now, he is planning to play by the rules that are currently existent at the Russian market where the “green” trend is deemed unsubstantial.

4.4 Fresh Air company – Challenge of being green for small Russian businesses

Alexander is the Head of Manufacturing in Fresh Air, the biggest and leading company in Russia engaged in production of ventilation cleaning equipment. Fresh Air produces robots for commercial use that clean both internal and external ventilation ducts in buildings. Alexander is in charge of producing the equipment and programming the robots specified at customer’s option.

*Commenting on the green trend*

Alexander narrates that all the Russian firms are somehow related to improving their ecological footprint. He argues that above all, ecological corporate sustainability is crucial to the quality of human life. In big cities, especially in densely populated ones, it impossible for large manufacturing companies to ignore the issue of ecology. An illustrative example on the global arena could be some Chinese regions, where manufacturing companies have negatively influenced the ecological situation. Similarly, in Russia, the ecology of Moscow has suffered greatly because of factories that operate close to the region. The increasing volume of dust haze and emissions affect the health of the population and eventually drastic measures will need to be taken. Therefore, speaking about manufacturing companies, all of them come to the point when they start to utilize their wastes in an environmentally friendly way.

In Russia, the new Ecological Tax was implemented in 2019 that regulates the disposition of garbage and wastes. It used to be a common practice for many small Russian enterprises not to care much about the trash disposal. This trash was simply placed outside the
manufactures – in open drains, forests, etc. because it was easier and cheaper. Now the demands for new production is growing that means the appearance of more manufacturing companies and, consequently, stricter ecological control. For a sustainable future, all ecological norms must be followed and the wastes must be recycled if possible.

The core of the problem or how much does it cost?

For a small Russian enterprise, it is quite difficult to be completely ecologically sustainable due to financial factors. Speaking about Fresh Air, it has always been challenging to deal with the problem of utilizing metal wastes. Although, in Russia money is paid for metal utilization, the sum is relatively moderate and it still costs some money and time to transport the wastes to the recycling station. The whole process is cost-efficient only for large manufacturing companies but not workable for small enterprises. In Fresh Air, they have to collect the metal wastes for quite some time before asking the special service to take all the wastes away for recycling. All the costs are paid from the company’s budget. Small enterprises do not get any governmental support in dealing with such issues and they have to solve such problems only by themselves.

Alexander argues that the recycling system and trash collection among Russian companies should be unified and standardized. These is lack of opportunities for small enterprises to act in a sustainable way as there are no conditions created by the government. Alexander stresses that there is much more control rather than support in terms of ecologically friendly initiatives among Russian companies. Moreover, there is absolutely no support for small companies in order for them to become more environmentally sustainable.

In Russia, the label of a green eco-friendly company is an indicator that the company is prosperous in financial terms and obtains sufficient resources in order to support this status. Unfortunately, not all companies can afford it. Alexander would be glad if there were more opportunities and conditions created in order to recycle waste without additional costs. One way of doing this could be a unified regional trash collection system created by the government for small enterprises.
Role of leadership perspective

According to Alexander, without leadership of a company’s manager it would be impossible to make a company more ecologically sustainable. Leader’s viewpoint is tantamount to employees’ actions at the workplace; therefore, employees should be instructed and informed about the corporate eco-friendly policy. Some employees in Fresh Air are proactive in terms of ecological initiatives and are involved in the process of collection and recycling waste without any reminders from the manager. In addition, they realize that taking care of the environment is not only good for our planet and the place we live, but it also means convenience at the workplace. However, some employees do not care much about the issue, as they do not consider the idea of environmental sustainability essential. That is the reason why leadership is important in the Russian context.

4.5 Clevercity – Going green as a way of enticing investors

Ekaterina is the member of management team in Clevercity, the provider of early stage investment and acceleration for tech companies that help make cities “smarter” and more environmentally sustainable. Big cities in Russia are facing urbanization challenges that could be solved by the new generation of technologies and developers that the company brings to the market. Clevercity works with blockchain, artificial intelligence and ecological projects, helping new companies find further investments and deploy new eco-friendly technologies into “smart” cities construction and a more sustainable future. The firm was created out of a non-profit ecological organization and adheres to sustainable development principles in its activities. The goal of Clevercity is to accelerate and support projects in Russia that take eco-friendly initiatives.

Three aspects of sustainability

Ekaterina asserts that in the Russian context, more and more people are becoming environmentally aware. However, economic and social aspects of sustainability still play a greater role for large companies that the environmental one. The “green” trend in Russia will be developing in the upcoming years, as the concept of sustainability has been already
established all over the globe and will inevitably influence Russia. Ekaterina proves it by providing an example of the “green” bond market extension. Moreover, unless the humankind turns to robots people will still need healthy environment.

Large companies have to be ecologically friendly, according to Ekaterina. First, it is beneficial in terms of reducing costs that seems to be a very strong incentive for companies. Second, Ekaterina believes that the mindset of Russian society is changing now. While the demand for eco-friendly goods is growing predominantly in big cities, the problem of trash collection and utilization is discussed in almost all Russian cities and even small towns. Third, large companies have to report on their activity in front of financial institutions that provide them with money by purchasing their stocks or bonds.

What is the stimulus?

Corporate culture and personal initiative of the management is the key motivation for Clevercity. Financial incentive also plays a great role, for example, ecologically sensitive employees tend to use less paper in the offices. In Clevercity’s employees use their own cup instead of plastic glasses and turn off all electric devices before leaving the office. Ekaterina states that the most important contribution towards corporate sustainability that relates to every employee is high quality of work done and adherence to the corporate rules and regulations.

Clevercity works closely with governmental structures, for example, with VEB, Russian Bank of Development that supports ecological initiatives. Moreover, getting access to funding is easier for clients of Clevercity that are engaged in ecological activities. Such clients obtain a competitive advantage and good reputation in front of other companies.

Support versus control

Ekaterina notes that although the Russian market is yet not ready to establish criteria for “green” certification there is still governmental support for companies applying “best technologies available” (Federal Law №7-FZ "On Protection of Environment", 2018).
Clevercity does not face any governmental control because the company is not involved in production like manufacturing or agricultural companies. However, Ekaterina states that Russian Environmental Law is one of the strictest in the world and proves her point of view by providing the example of governmental control of fish industry and rivers and lakes protection. Some Russian companies face the choice of capital investing in eco-technologies (in order to comply with the environmental regulation) or pay fines. Paradoxically, sometimes in small Russian towns it is even more financially sound to pay fines.

Ekaterina thinks that it is not always profitable for Russian companies to go green. For central Russian regions where water resources are limited, cost-effective use of the resources makes sense in financial terms. However, in Siberia, the region rich with resources, it might be a question. The next aspect is certification that requires more costs. Certified products need consumers to cover these added costs. For now, it is more beneficial to sell certified products to Europe, because there are more people willing to buy eco-products. It greatly depends on the purchasing power of the population. Ekaterina argues that the mindset of people is crucial to consumer choice. People need to understand the high value of environment as well as acknowledge their responsibility in order to use the resources efficiently. Behavior towards the environment is nothing else but the attitude towards yourself.

4.6 Pro-carbon – Influencing the national mindset

Marina is part of the management team in Pro-carbon. The organization helps Russian companies and start-ups increase its profits with the use of new technologies and develops sustainable business strategies for its clients. The company implements blockchain technologies for financing ecological projects and is engaged in educational activity dedicated to environmentally sustainable development.

*Environmental awareness*

There is a difference between foreign and Russian companies in terms of attitude to ecological problems. In Russia, the aspect of social and economic sustainability is paid much
more attention in comparison to environmental one. To Marina’s point of view, the mindset of people in Russia should be changed in terms of ecological awareness. Today if a company aims to adhere to ecologically sustainable development it finds ways to get profit out of it at the first place.

Marina asserts that Russian market has great potential in becoming “greener” and more companies will be involved in the “green” movement eventually. There is a variety of examples of eco-friendly initiatives on the Russian market. Many companies Pro-carbon works with are involved in reduction of plastic and CO2 emissions, recycling, etc. The company runs projects on blockchain technology that secures transparency of operations and transactions that aligns with the idea of corporate greening.

Pro-carbon organizes events, lectures and seminars dedicated to the topic of environmental problems. The company has launched the environmental project and is now integrating this educational program into schools in Russia by providing teachers with the books written by company’s experts. The management of Pro-carbon believes that enlightenment in the topic of ecology is necessary for the Russian society. Companies in Russia will not be willing to become more environmentally sustainable unless pupils in schools are environmentally aware and feel responsible for our planet.

The motive to be competitive

Some Russian companies go “green” because they face global competition. Such companies follow the example of foreign western companies in taking green initiatives because they strive to be at the same level in terms of brand and quality of their products.

Shareholder’s pressure and vision of the management plays a big role in implementing ecologically sustainable strategies. Pro-carbon operates under the supervision of a very strong leader who plays a role of ideologist and mastermind of the organization. Marina is greatly inspired by the vision he has and motivation that he gives to the employees. The perspective of Pro-carbon’s leader is a powerful accelerator of development of the company.
Limitations of economic volatility

Marina notes that the Russian market has a lot of eco-technologies and potential opportunities for “green” companies, however, environmental regulatory base should be improved in terms of both control and governmental support for “green” businesses. Pro-carbon would be involved in more environmental projects if the company had any support from the government. As a factor that could hinder “greening” among Russian companies is a volatile economic situation and stagnating purchasing power as in such rough market conditions, the topic of environmental sustainability becomes a nonissue for companies.

In Russian context, if a company exports its goods, for example, to European market, it is crucial to be green because European customers are ready to pay for eco-goods. That is, however, yet not the case for Russia. According to Marina, Russian customers are ready to spend more for fresh farmer products received directly from the producers, but not everyone understands why one should buy organic food. That is also a definition problem in this case – what do we mean by saying ecologically sustainable? Due to the lack of systemic knowledge about the issue, Pro-carbon pays a lot of attention to educating people and their environmental awareness.

4.7 Tobacco Company – Green office as an embodiment of corporate values

Irina is the Sustainability Director of the Tobacco Company that is one of the largest producers of cigarettes in Russia. Among its recent initiatives is creating innovative nicotine products with less harm for human health. The company is underpinned by their environmentally sustainable policy and corporate culture.

Corporate rules

The employees of the Tobacco Company encourage corporate behavior that is committed to the highest standards of corporate social and environmental responsibility. In Irina’s office, there are boxes for recycling of plastic and paper. Employees also tend to save paper and print on both sides. On the walls, there are signs “save paper” and “think about the
environment” as notifications for the working team. The Tobacco Company plans to reduce the amount of printing in its offices and is currently on the stage of creating the infrastructure for electronic documents.

Despite the fact, that the company has all the facilities for the employees to be eco-friendly, Irina admits that due to the large size of the company not every member of the team follows the principles of the “green” office. Speaking about the manufacturing activity of the Tobacco Company, much attention is paid to power management and reduction of CO2 emissions. The company also spends sufficient amounts of money for making parks “greener” by trees planting.

Irina argues that Russian companies should not only follow the global “green” trend trying to be up-to-date and competitive among others but also to realize the necessity and importance of following environmentally sustainable business strategies. Russia seem to be a country that is rich with natural resources so the mindset of Russian people today is not focused on environmental protection. However, the ecological situation in big cities has suffered in recent years. Therefore, it is of crucial importance for companies to act as a driving force and promote the idea of environmental protection to people.

What makes companies go “green”? 

According to Irina, all large Russian companies have to contribute to ecologically sustainable development as they compound a sufficient proportion of national economy and consequently have a greater impact on the environment. To Irina’s point of view, international agreements signed by Russia and political discussions about ecological problems play an important role in showing companies the direction of their future development in terms of their attitude towards the environment. The perspective of a company’s leader is tantamount to corporate greening. Irina states that showing followers the right example and enforce eco-friendly corporate behavior is necessary in the Russian context because it is mainly management who facilitates environmental initiatives in the Tobacco company and very few employees who provides such ideas.
Implementing ecologically sustainable ideas into business is financially sound for large companies in the long run. However, according to Irina, it might not be the case for smaller companies. Moreover, the problem of economic volatility and western sanctions make Russian companies feel distressed and doubtful about their further development and growth perspectives. Obviously, in such conditions companies can hardly consider environmental issues. Speaking about manufacturing companies and factories it is important to mention lack of technologies that would allow firms to conduct “greener” activities.

The Tobacco Company is not a “green” company itself. However, it is positioned as an entity that cares much about ecological problems and is ready to make efforts into solving them.

4.8 GreenGoods – Looking forward to future big returns

Nikita is the co-founder of GreenGoods. The company collects plastic and produces various goods out of it: bags, shoes, accessories, kitchenware, etc. GreenGoods is a young and fast-growing start-up with ambitious corporate goals. As a small business, in the near future the company is planning to raise funding for its further development.

The beginning of the story

In Russia there is a growing demand for sustainable zero waste production. Nikita, as the driving force of the project, has always been interested in ecology and environment protection. By the time he became the co-founder of the company, he had acknowledged the idea of conscious consumption and gave these insights to his working team.

Many ecological initiatives in Russia are often associated with piles of trash and do not look appealing. The goal of GreenGoods is to catch attention of people by showing how beautiful plastic can be and by creating useful and attractive goods. That might be the first step to transform Russian people’s mindset towards environmental issues.

Can small ”green” entity be profitable?
The management of GreenGoods has recently changed its business strategy as it turned out to be not that easy to be profitable being a small “green” company. For now, consumer sales account for the major part of company’s earnings. According to Nikita, there is a possibility that with the growth of the company, the percentage of orders from other companies might grow. GreenGoods is also working on developing the automatic system of plastic lids separation in order to increase the efficiency of production and reduce costs.

Another problem is that recycling of plastic consumes a lot of energy and causes CO2 emissions that is not an eco-friendly process. According to Nikita, companies need to invest in new technologies in order to be environmentally sustainable. In Russia, there are foundations that support ecological companies and start-ups and some grants are available. It is quite possible to get funding for ecological initiatives and development of eco-friendly technologies.

*Self-motivating team*

Nikita narrates that GreenGoods is lucky enough to comprise extremely responsible people in terms of environmental protection and recycling that can be explained by two factors. First, the purpose of the company is recycling of plastic that is a “green” activity by its substance. Secondly, there is a small team of highly motivated and environmentally aware people. Among the most important incentives for the leaders of GreenGoods are future financial success and positive social effect.
5 Data Analysis & Discussion

“Bringing about a better world to live in environmentally appears to depend on the interactions between government, customers, suppliers, owners, managers and employees in companies”

(Lindell and Karagozoglu, 2001, p.50)

This chapter will be dedicated to analyzing the data collected from the conducted interviews in accordance with the conceptual model presented in the literature review section. Our findings will be compared to both the theory and to the expectations we had in the beginning of the research process. We have identified several patterns that emerged, revealing both similarities and differences.

We illustrate the main reasons and challenges to go “green” mentioned by participant companies in Table 2 that we will elaborate on further in this chapter. As for the symbols used in the Table, “+” stands for factors that were reported as motivational for firms to embark on the corporate greening, “-” refers to factors that challenged against “green” initiatives in business and “0” represents aspects that neither motivated participants to be more environmentally sustainable nor hindered that process, i.e. had no influence because the interviewees did not happen to encounter situations fitting under the given category of the theoretical model.

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<thead>
<tr>
<th>Participant Companies</th>
<th>Analytical Framework for Motives and Challenges to Corporate Greening</th>
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<tbody>
<tr>
<td></td>
<td>Financial and Market Incentives</td>
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<tr>
<td>Askona</td>
<td>“+” Better access to foreign markets;</td>
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56
Energy preserving, and recycling technologies add to profitability and has no significant impact on company’s operations

Poor governmental support for green initiatives

No pressure from the part of Russian stakeholders making business decisions part of long term strategy due to forecasts on the future development of the Russian market

Cheese Factory

<table>
<thead>
<tr>
<th>“+”</th>
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<tr>
<td>Green product design has led to losses in profits due to low customer demand</td>
<td>Pressure from foreign counterparts</td>
<td>Absence of environmental regulation in the dairy industry</td>
<td>Going “green” is viewed inapplicable for Russia</td>
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<tr>
<td>Attempts to adopt renewable energy technologies has proved financially unreasonable</td>
<td>Green labeling improved revenues on external market</td>
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Fresh Air

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<tr>
<td>Additional costs associated with waste utilization</td>
<td>No stakeholders pressure reported</td>
<td>Lack of governmental support for companies recycling waste</td>
<td>Green initiatives related to sense of duty</td>
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CleverCity

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<tbody>
<tr>
<td>Cost reduction associated with green office design (recycling paper, using energy efficient technologies etc.)</td>
<td>No stakeholders pressure reported</td>
<td>Governmental support for best technologies available</td>
<td>Strong corporate culture</td>
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<td>Better access to capital</td>
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Cheese Factory

- Green product design has led to losses in profits due to low customer demand
- Attempts to adopt renewable energy technologies has proved financially unreasonable
- Green labeling improved revenues on external market

Fresh Air

- Additional costs associated with waste utilization
- No stakeholders pressure reported
- Lack of governmental support for companies recycling waste
- Green initiatives related to sense of duty

CleverCity

- Cost reduction associated with green office design (recycling paper, using energy efficient technologies etc.)
- No stakeholders pressure reported
- Governmental support for best technologies available
- Strong corporate culture
Pro-Carbon

| “+” Demand for green consulting services | “0” No stakeholders pressure reported | “+” Governmental support for best technologies available | “+” CEO’s ethical considerations led to offering only green consultancy services |

Tobacco Company

| “-” Low customers’ demand for eco-product design | “-” Poor employee perception of the green office initiatives | “-” Poor environmental regulation reported | “+” Strong corporate culture |
| “+” Being green improves company’s reputation | “+” Media coverage of environmental issues in big Russian cities |
| “+” Green office technologies add to profitability | |
| “-” Poor development of green technologies market in Russia |

GreenGoods

| “-” Low demand for green product design from customers | “0” No stakeholders pressure reported | “+” Governmental grants for green startups | “+” CEOs ethical considerations led to foundation of the green startup |
| “+” Recycling technologies add to profitability |

| “-” Poor | “-” | “-” | “+” |
| “+” | “-” | “-” | “+” |

| “+” | “-” | “-” | “+” |
| “-” | “+” | “-” | “+” |

Table 2: Main motives and challenges to go green mentioned by the participant companies

*Source: constructed by the authors*

5.1 Financial incentives - Lack of market stimulus

The interview data accumulated revealed that there are some financial and market incentives that correspond to the Figure 1 model. It “pays to be green” mostly for companies that export
goods but in general the Russian market and for companies that adopt energy efficiency technologies. However, the market is not favorable enough yet to encourage firms to become more environmentally sustainable. Demand for “green” products is reported to be extremely low. Selling “green” services appears to meet reasonable client demand, nonetheless. The assumption of increased employee engagement due to “green” corporate culture did not prove to be true in the Russian context either.

The so-called win-win scenarios of being “green” are found to be true in terms of adoption of energy efficiency and recycling technologies as it reduces costs (Askona, CleverCity, Tobacco Company).

The key motivational financial factor was better success at external markets that corresponds to the Figure 1 model aspect under the title “access to new markets”. For example, Askona managed to establish strategic partnership with IKEA upon implementation of green packaging practices. Similarly, Cheese Factory was able to improve revenues in China and Europe after adoption of “green” labeling. This is illustrated by the commentary given below:

“We need to adhere to our overseas buyers’ standards if we want to collaborate with them. Our counterparts are global companies that demand high environmental standards.” – Cheese Factory.

For many companies being green means better access to capital from private investors that is consistent with the Figure 1 model. “Getting access to funding is easier for “green” clients of Clevercity, companies that are engaged in ecological initiatives. Such clients obtain a competitive advantage among other firms” – Clevercity.

In terms of client demand, Pro-carbon reported that it got higher revenues due to rising demand for “green” consulting services. “Russian market has huge potential in becoming greener. More and more Russian companies are searching for ways how to get profit out of corporate greening” – Pro-carbon.
The Tobacco Company has also mentioned that being “green” improves company’s image that helps deal with competition from foreign companies on the market.

On the other hand, other companies reported that adopting “green” technologies is not financially reasonable and only leads to losses in profits. For example, the Cheese Factory claimed to have tried to adopt solar panels. They ended up demounting them because the excessive energy produced was not bought by the government (as they do it in many other developed countries) and thus, it was not financially sound to maintain them. Fresh Air reported that it faces additional costs due to lack of systematized waste utilization system in Russia.

“The whole process of recycling is cost-efficient only for large manufacturing companies but not workable at all for small enterprises” – Fresh Air.

Additionally, the Tobacco Company cited that “green” initiatives did not lead to increased employee participation and, thus, could not lead to positive effects on their effectiveness. This contradicts the theoretical model’s assumption that “green” initiatives stimulate employee engagement resulting in lower turnover that has a direct impact on the company’s bottom line.

Moreover, all participant manufacturing companies mention low demand for “green” products from Russian consumers. It is reported that consumers cannot afford paying extra for “greener” products. Representative from Pro-Carbon attributes it to “volatile economic situation and stagnating purchasing power”. This is another incongruity with the theoretical assumption that “green” initiatives receive response from environmentally minded customers.

“Our customers in Russia and Ukraine do not care about green products, they care about getting a cheaper one” – Cheese Factory.

5.2 Stakeholders pressure - Low participation of the Russian civil society

Interviewed companies reported no or little pressure from the Russian civil society.
Only one participant firm reported having encountered with stakeholders’ pressure. Tobacco Company mentioned that media coverage and the embarrassment spread by their reports led to reconsideration of their corporate behavior. For that reason, they adopted some “green” campaigns such as planting trees in order to gain support from the society.

Other companies, however, stated that non-governmental organizations, media and other stakeholders are not influential enough to change the situation in Russia drastically. None cited being ever engaged in dialogue with environmental groups of any kind, they had no knowledge about whether such groups even existed. In terms of organizational stakeholders, the Tobacco Company even reported that the employees, i.e. organizational stakeholders, met their “green” office initiatives with annoyance.

“As far as I am and my colleges on the market are concerned it is quite uncommon to actually have public hearings regarding environmental initiatives with newspapers, no one seems to care enough” – Cheese Factory.

“We are open and confident about our waste management methods, and anyone who wants can come and see how our factory functions. But no one does, no environmental group ever contacted us.” – Fresh Air.

This is contradictory to the theoretical expectations that stakeholders can pressure the company to become more environmentally friendly. Thus, this motive is weak or even absent in the Russian context making it one of the challenging aspects for corporate greening in Russia.

5.3 Regulatory setting - Weak legislation

Within the data collected it was revealed that overall regulatory setting in Russia is not efficient enough to stimulate corporate greening process. It has a punitive nature while flexible measures are not developed well enough yet.

Three companies reported that the Russian government provides support for “green” projects and start-ups that are engaged in developing and implementing ecologically friendly
technologies into their operational activity. This indicates that, there are indeed existing flexible mechanisms for fostering corporate greening in Russia.

“The Russian government supports companies applying “best technologies available” – Pro-Carbon.

“Foundations in Russia support “green” companies and start-ups; many grants are available. It is quite possible to get funding for ecological initiatives and development of eco-friendly technologies” – GreenGoods.

On the other hand, FreshAir pointed out that there is lack of governmental financial incentives focused at encouraging firms utilize waste more environmentally productively. More specifically, the firm claimed that they would engage in waste recycling much more often if the governmental paid more for it (FreshAir). As for now, governmental measures aiding waste utilization are only profitable for large corporations. Similarly, Askona claimed to have faced problems receiving governmental support since its mechanisms are not transparent and not easily accessible and they had to find other ways to finance “green” initiatives. Additionally, the Duma Deputy representative claimed that getting governmental funds from authorities is often dependent on company’s already established connections with the government rather than on a competitive selection of subsidy recipients. Therefore, even though the flexible regulatory mechanisms discussed in the literature section do exist in Russia to some extent, they are not developed well enough yet.

In terms of other measures, the interviews evinced that environmental regulation is to some extent present and overall has a punitive nature.

“Some Russian companies face the choice of capital investing in eco-technologies (in order to comply with the environmental regulation) or paying fines. Paradoxically, sometimes in small Russian towns it is even more financially sound to pay fines” – Clevercity.

Notwithstanding the fact that the interviewed companies comply with the existing legislation, all of them mentioned that it there is lack of centralized approach for regulation
and support of “green” initiatives. Overall, however, none of the interviewees mentioned regulation as their main impetus to go “green” since it is considered to be obsolete and inefficient by most participants. Attitude of interviewees towards regulation is reflected in comments below:

“Environmental legislation in Russia is prehistorical. It was inherited from the Soviet times and does not make any real difference” – Askona.

“Environmental regulation in the dairy industry is almost inexistent” – Cheese Factory.

“All the recycling costs are paid from the company’s budget and green initiatives are hardly supported by the government” – Fresh Air.

5.4 Leadership perception and ethical consideration - The importance of personal beliefs

Within the interviews collected, leadership perception and ethical stances appeared to be one of the most influential factors for corporate greening.

Most interviewees demonstrated strong influence of one or several individuals on the decision to go “green”, the so called “greening” champions. For example, Fresh Air does recycling mostly because of the strong point of view of its manager despite financial burdens that it bears with relation to waste disposal. In Clevercity, eco-friendly corporate culture was built by the initiatives of the management. Pro-Carbon was founded by a leader whose ethical considerations led to creation of the organization.

“Pro-carbon operates under the supervision of a very strong leader who plays a role of our ideologist and mastermind. Everyone is inspired by the vision and motivation he gives to the employees that is a powerful accelerator of the company’s development” – Pro-carbon.

The Tobacco Company strives for environmental sustainability in order to become a good example for others on the market. They have developed a strong corporate culture with a focus on sustainability and environmental side of the issue turned out to be a natural
ramification of it. Similarly, the GreenGoods Company that manufactures ecologically friendly goods was founded purely out of the personal beliefs of its founder and his sense about what is right. Even though the CEO acknowledges financial challenges of being “green”, he is still determined to follow this path. It is reflected in his comments below.

“I have always been passionate about ecology. I think caring about the environment is the right thing to do and I want my business to be in line with this principle ... Even though our profits are moderate now we are eager to continue developing and expanding” – GreenGoods.

Ascona and Cheese Factory were the only participants that showed no appreciation for the ethical side of the issue. They viewed personal views on becoming “green” as irrelevant to making business decisions.

“Business is about business. It is not about emotions” – Ascona.

5.5 Other motives and challenges - Corporate greening as a part of strategic planning

One motive that appeared to be out of the preliminary model was that some companies reported their orientation on the long-term changes of the Russian market as the main motive. Their belief and forecasts regarding future modification of local customers’ preferences was one of the main reasons to go “green” despite the absence of other incentives. For instance, Askona’s decision to add environmental issues in its corporate agenda was first trigged by their foreign counterparts’ requirements; however, their decision to continue developing in this direction was based purely on the predictions about next generations’ demands. They assume that if you are not proactive and do not take measures now you will not be profitable in the long run.

“The whole green agenda is gaining recognition in Russia. A few years ago it was deemed absurd, today it is considered normal, but tomorrow it will be held necessary” – Ascona.
It is important to underline, that this motive can be viewed separately from the other ones. The difference should be explicitly drawn from the ethical motive, because the discussed long-termism and belief in the future greenness’ of Russia might have nothing to do with the leader’s general attitude towards sustainability. This is reflected in Askona’s CEO comment:

“Business is about business. It is not about emotions. I wouldn’t do it myself if it wasn’t for the sake of business” – Askona.

Analogously, the GreenGoods company is basing its profitability projections entirely on the hope that it will “pay to be green” in a few years in Russia. However, in this case this motive is coupled with the CEO’s personal longing towards being environmentally sustainable.

Another difference among responders was that some chose to act proactively and adopt “green” initiatives already today, while others only acknowledge the necessity of adapting to this scenario in near future basing it on their market development forecasts. For instance, the Cheese Factory also reported that they suppose that the Russian market will soon evolve and that they will need to take steps. Their estimate is that it might “pay to be green” in 5 to 10 years. This prognosis has not influenced their current operations, nonetheless.

We consider this “hope” in a better future to be an inherent characteristic of the Russian context. The country has undergone several major political and economic upheavals throughout a relatively short period of its history and as a result, its citizens learnt how to be resilient and how to act proactive to the challenges of the present. Russian leaders seem to want to be always ready for a new shift in the country’s economy and therefore adopt strategies that would allow for quick adaptation. Therefore, even though there are not enough favorable market-related conditions or those with regard to regulatory apparatus, companies still take the lead in embracing the “green” agenda “hoping” that it would help them survive in future. This finding can be considered as supplementary motive to the Figure 1 model.
6 Conclusion

“Russia could well be described as a net environmental donor to the world. It is only right that the country plays a more active role in the greening of the global economy…”

(Bobylev and Perelet, 2013, p. 19)

This final chapter will be devoted to presenting our reflective thoughts regarding the thesis writing process. We will sum up our key findings, will go through the research questions that are put forward in the introduction section, identify limitations of our study and delineate possibilities for future research on the topic. Finally, we will develop recommendations on how to further promote the process of corporate greening in Russia basing them on the results of our case studies.

6.1 Summary of key findings

The theoretical value of our research is expressed in the findings that have been discovered within the data accumulated. Within the interviews collected, we have concluded that despite numerous challenges and unfavorable conditions for transition towards a more environmentally sustainable business model, Russian leaders still express far-reaching “green” aspirations.

The first purpose of this paper was to obtain deeper understanding of business leaders’ perspective on green transformation of private companies in Russia. We believe to have achieved this objective as we have managed to find answers to the two posed research questions.

As far as the first research question is concerned (What are the motives that Russian leaders mention as reasons for transforming their businesses into becoming more environmentally sustainable?), the empirical data suggested that the main rationale for corporate greening in Russia was financial and dealt with the necessity to deal with foreign counterparts. Following requirements set by overseas partners was vital if the company wanted to expand.
Among other financial motives, Russian leaders mention lower cost of energy when adopting energy efficient technologies, as well as advantages arising from recycling technologies. However, these benefits are not viewed as something that significantly adds to profitability and thus does not substantially affect company’s decision to go “green”. Nevertheless, most participants claim that if more financial incentives existed it would have been a persuasive argument for improving their environmental performance.

Another crucial motive was associated with the leader’s personal ethical beliefs. We believe that this desire to be more environmentally sustainable is a good sign because it demonstrates companies’ voluntary willingness to embrace the “green” trend. It also means that if authorities take steps to give momentum to this process, firms are expected to be susceptible to such measures.

The next motive that followed in terms of frequency of being mentioned by participants is the strategic orientation towards future. Most interviewees stated that they expected the market to transform in a few years and therefore taking proactive measures now is an adequate response to that. It is important to stress, that in some cases this rationale was reported as the only one when deciding to go “green”. We contend that this is a motive that can be viewed as an attribute to the Russian context given the country’s historical background where entities needed to adapt quickly to ongoing drastic changes and crises in economic and political fields. This finding can be viewed as a potential contribution to the greening literature in Russia.

As far as the second research question is concerned (Out of these motives, what are the existing challenges within the Russian context in relation to transforming business into a more environmentally sustainable one?), among the main constraints Russian businessmen mention low customers’ demand for “green” products. Almost each participant reported that consumers in Russia value competitive price more than ecological aspect of production. Another challenge is associated with the fact the Russian civil society is highly inactive in its participation. All the respondents claimed to have never encountered any pressure from the public. Finally, there is a problem related to environmental legislation. It is described as
obsolete and low effective by most interviewees and, thus, it does not have a serious impact on the firms’ decision to adopt “green” technologies.

6.2 Recommendations for fostering corporate greening in Russia

Practical value of this research is manifested in the recommendations on how to bolster and accelerate corporate greening in Russia that could be put forward based on the findings of this study. It is, undoubtedly, not a straightforward task because it is apparent that such problems cannot be tackled in the short term amidst current politic and economic situation in Russia.

On the one side, steps need to be taken to address the main challenges embedded in the Russian context with relation to environmentally sustainable business transformation, i.e. the weakness of regulation and lack of stakeholders’ pressure, and, on the other side, measures should be introduced to strengthen the incentives that already motivate Russian business leaders to go “green”. As the findings of this research suggest, financial incentives already have a significant impact on the companies’ willingness to make its practices more environmentally sustainable, but they need to be further reinforced in order to avoid stalling of corporate greening in the country.

As far as the regulation is concerned, improving the institutional apparatus is required in order to increase the sense of environmental obligation among business leaders. It is important that regulation provides business leaders with financial incentives and does not have only coercive and punitive nature. More specifically, flexible environmental management instruments such as taxes (for instance, taxes on CO2 emissions produced) should be applied in order to stimulate eco-friendly companies. It is important that the system of such rules is unified for all Russian regions. Recycling laws and regulations and a clear set of requirements designed to minimize the waste disposal in landfills and create conditions for the development of waste management methods should be introduced. Our research has shown that there are entrepreneurs that are willing to recycle waste, however, it is necessary to create the right incentives and facilities in all Russian regions.
Moreover, more kinds of financial support and subsidies could be offered to support “green” initiatives. Additionally, environmental criteria should be developed in order to assess “green” status of companies that would serve as eligibility benchmark for receiving funding for “green” projects, i.e. creating some sort of competition-based scheme for getting finance. It is essential, that such mechanisms have a motivating nature. This is reflected in one of our participants’ comment:

“It is necessary to create a universal system that could be applicable to all Russian regions with the help of which companies would be stimulated to go greener. In order to fulfill this aim, financial instruments could be helpful, for instance, financing through green bonds. It is always better to stimulate rather than to control” – Igor, State Duma Deputy.

Another way to go, is to make adoption of “green” technologies more economically reasonable, especially those dealing with increasing energy efficiency and renewable energy. For example, grants could be offered to compensate for cost of installed renewable energy facilities. More specifically, as mentioned by one of our participants with regard to solar panels (Cheese Factory), government could buy the surplus energy generated by it and exported to the grid, thus, giving a financial stimulus for actually installing such a technology.

Additionally, some measures could be taken to set environmental expectations of investors. For example, changes in corporate reporting standards could be introduced by making environmental accountability obligatory. Such statements would then have an impact on the share price and investment behavior.

As far as the problem of weak stakeholders’ pressure is concerned, measures need to be taken in order to increase transparency in the economy. It could be achieved if the Russian media would be given more autonomy, thus, stimulating the society to think critically and independently. Nowadays, Russia is ranked 149 out of 180 countries in the global press freedom index (Reporters Without Borders, 2019). With more freedom, media would become more active in covering environmental issues, “embarrassing” both public and private companies that cause damage to nature. This, in turn, would raise civic awareness
about the crucial importance of sustainable development of the national economy and make Russian population more willing to participate in facilitating the “green” transition process. Consequently, it can lead to increased stakeholders’ pressure since it would create conditions in which ignoring the need for social responsibility and accountability will become impossible. Additionally, steps need to be taken to increase the role of NGOs in the Russian societies. The role of NGOs should not be underestimated because they are the facilitators that help environmentally-sensible citizens put their energy into action by showing them what they can demand from state structures and companies and how to do it. Both aspects can be approached by amending the corresponding legal acts that deal with limiting the role of the media (such as various censorship laws) and NGOs (so called “foreign agents” laws). Moreover, special “public oversight” laws could be introduced that would give citizens and environmental groups legitimate power of surveillance and would make it difficult for companies to ignore public discontent.

When tackling such market-related issues as the lack of demand for “green” product design in Russia or low appreciation for “green” brand image of a company, giving recommendations is tricky because they would deal with overall necessity to increase living standards of Russian citizens. Ultimately, it is the issue of relatively low wages in Russia that needs to be solved because it results in preference for lower prices of a product over other factors like quality and eco-friendliness.

Finally, in order to promote the idea of sustainability that would enact more ethical response from Russian leaders, educational events for raising ecological awareness need to be organized. Governmental utterances should be more focused on the issues of sustainability so that the message gets wide spread. Government should also work on implementing corresponding changes in education. The UN’s strategy for Education for Sustainable Development emphasizes the importance of education in achieving sustainable future. Environmentally sustainable development in Russia has not yet produced significant results in environmental education and should, therefore, be facilitated and supported at the institutional level (Safonov, et.al., 2013). For example, environmental sustainability could be added as an academic discipline in schools and added in curriculum for universities. We
believe that not only governmental institutions should promote environmental ideas, but also companies and NGOs should work in cooperation to transmit this philosophy into schools and universities by holding conferences and forums on the topic. As a practical measure, making households sort garbage (plastic, paper, glass, etc.), for example, could be an instrument that would raise public responsibility and awareness about the importance of environmental sustainability.

Nevertheless, we personally believe that even all the above-mentioned measures cannot be deemed sufficient. They are treating symptoms rather than the root of the problem. And the core issue is the environmental negligence of people holding power in Russia. Therefore, it’s a choice between two options. The first one is that there should be a reshuffle of power followed by diversification of political parties by means of appointing people who take into consideration wellbeing of natural systems. The second one is that there should be a significant shift in the beliefs of those who are in the driver’s seat now. There is not a third option since more and more people like us are gradually coming to realization that such issues as environmental sustainability is something that cannot be traded off for accumulating wealth. And the more people understand it the more vulnerable our authorities will feel under the pressure of outraged younger generation. We think that such scenario should not be followed because no one would benefit from another political upheaval. Therefore, we strongly recommend that people in power, who unlikely but still plausibly could be reading this paper, should follow suit of Russian business leaders, i.e. think strategically today in order to survive tomorrow.

6.3 Limitations & Possibilities for Future Research

First of all, it is evident that the research is limited by its sampling. Our interviewees were only from Moscow that makes it difficult to generalize results for the whole country. Additionally, the industry range of participants was narrow. Hence, the results can be representative only for firms from similar location and type of business. We suggest that companies of different origin (from Moscow and St. Petersburg, province regions, rural areas etc.) and from various industries (both manufacturing and service providers) need to be
interviewed in order to grasp the whole picture on the issue. Recommendations could be then developed in accordance with industrial and territorial specifics. Moreover, the study participants were presenting their own view and understanding, i.e. personal opinion. Therefore, it is important to remember that the results have a subjective nature.

As far as other possibilities for future research are concerned, we recommend that motives and challenges for corporate greening should be examined separately for small, medium and big businesses. As it became evident from our interviews, small businesses have much more obstacles in becoming more environmentally sustainable. Thus, recommendations for stimulating the “green” transition should be developed taking into consideration not only the specifics of location and industry as stated above but also the company’s size. Additionally, we recommend that the motives we found to be mentioned most frequently by participates are studied further and more in detail. For example, the phenomenon of adopting “green” initiatives only as a result of looking forward to future without being driven by other incentives outlined in western models appears to be quite an interesting aspect of the Russian context that deserves further research on.

6.4 Reflective thoughts

When we started the research, we were not certain about how it would turn out and to what extend we will be able to succeed. We were unsure about what model to apply as a theoretical base, how relevant it would be for analyzing our empirical data, how much data we would be able to accumulate and whether it would evince any noteworthy details. However, as the research process progressed, the picture became clearer. We tried our best in choosing relevant literature for building analytical framework and found the courage to contact and interview several business leaders in Russia. Undoubtedly, there have been pitfalls in the journey, as some objectives have not been met as effectively as we wished. We suppose that the research topic should have been somewhat less ambitious because that way our findings would have been even more trustworthy. However, we think that as we worked to the best of our abilities, we have managed to complete this thesis project quite successfully.
Retrospectively, it was an invaluable experience for both of us as we collected very informative data and benefited from it in terms of expanding our horizons and becoming more knowledgeable about the issue of corporate greening. Apart from that, we grew as personalities as we have learnt how to be an effective team despite differences in personal views. In particular, we must admit that we have rather contrary positions about how the work progress should be done. Nevertheless, we managed not only to reconcile our differences but also to organize work in a way that would amplify each other’s strengths. In a way, our teamwork could be described with the concept of Yin and Yang which states that opposite forces can be complementary and can reinforce each other as they interrelate to one another. All things considered, we believe to have become a very effective and harmonious team supporting each other and staying in touch with each other on a daily basis.

We believe to have found some interesting information that might be relevant for scholars or other students that are also keen on exploring the issue in question. Moreover, it could be of help for governmental authorities and business leaders as we have developed recommendations on how to further stimulate the corporate greening process in the country. Bearing this in mind, we hope that our academic contribution to the study of the phenomena will raise awareness on the topic and will help to further promote the idea of environmental sustainability in Russia.
List of References


Websites:


Appendices

Appendix A: Questions for the Interview

A. To get the general attitude towards transition to green business from the perspective of Russian leaders

1. What is your opinion about the global trend towards sustainability?
2. How would you describe the relevance of green business transformation trend in Russia in particular?
3. What measures have you taken in terms of going green? Which of them you consider to be most important and why?

B. To understand the motives of Russian business leaders to go green

4. What do you think are the main motives why companies in in the world decide to go green? Why do you think they do it in Russia?
5. What was your main reason to transform / not transform your business into more environmentally sustainable?
6. What do you think of environmental protection legislation in Russia? How does it affect your business? Are there any regulatory requirements in Russia that encourage companies to go green? (standards set by governmental authorities / financial support etc.) Is it more financially sound to comply with legislation or to pay fines instead?
7. Has there been any influence from the part of stakeholders? What do you think their reaction would be if you decided to go green? Is it expected to face public denouncement if your business methods are environmentally unfriendly? Have you ever dealt with pressure from media/environmental groups etc.? Have you ever been contacted by them?
8. Do you think it pays to be “green”? Are there any financial or market incentives you can think of that could stimulate “green” transformation? Does being “green” increase or decrease costs? Does it open access to new markets? Improves cooperation with foreign counterparts? Does it contribute to improving brand reputation in Russia? Do you think it can
lead to increased employee engagement? Can it open access to capital and investments?

9. Describe to what extent managerial perception and leadership vision influenced your decision to go green? Do you personally believe in uprightness of being environmentally sustainable? Do you believe that ethical considerations can be relevant for a business decision to go “green”?

C. To outline the challenges and constraints in making businesses more sustainable in Russian context

10. What do you think are the main challenges for sustainable transformation of business in Russia? Describe what challenges are there in connection with the market conditions? Can legislative setting be an obstacle to go “green”?

11. What obstacles have you personally faced when transforming your business into more sustainable? What challenges do you see as most intimidating and why?

12. How did you manage to overcome them?

13. Do you plan to continue making your organization greener? Why yes/no? What measures do you plan to implement in future? / Do you have any plans for going green in future? Why yes/no?