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Mechanisms of Corporate Greenwashing: The Moderating Role of Managerial Ability

Ya Su
Graduate Student, Graduate School of Business Administration
Hosei University
Tokyo, Japan
ya.su.3i@stu.hosei.ac.jp

Hirotsugu Kitada
Associate Professor
Faculty of Business Administration
Hosei University, Tokyo, Japan
kitada@hosei.ac.jp

Abstract

In recent years, increasing attention to the Sustainable Development Goals (SDGs) and climate change mitigation has intensified expectations for firms to integrate environmental considerations into their management practices. As investors, consumers, governments, and NGOs increasingly scrutinize corporate environmental behavior, environmental disclosure and ESG activities have become unavoidable. However, alongside the expansion of environmental disclosure, greenwashing has become more salient. Greenwashing should not be understood merely as misreporting, but rather as a symbolic response that may emerge when firms face heightened external pressure without sufficient capacity for substantive environmental improvement. This study examines how institutional pressures influence corporate greenwashing and explores the moderating role of managerial ability. Using panel data of publicly listed apparel-related firms in Japan, China, the United States, and the United Kingdom from 2020 to 2024, we conduct empirical analyses to investigate the interaction between external pressures and internal managerial capabilities. Institutional pressures are distinguished into regulatory and normative dimensions, reflecting differences in enforcement mechanisms and social expectations. The findings indicate that institutional pressures alone do not uniformly constrain greenwashing. Instead, their effects depend on managerial ability. Higher managerial ability mitigates greenwashing under regulatory pressure, while it may intensify greenwashing under normative pressure. These results highlight the importance of considering both the nature of external pressure and firms' internal capabilities in understanding and mitigating corporate greenwashing.

Keywords
Greenwashing, Institutional Pressure, Managerial Ability, Environmental Disclosure, Apparel Industry

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Biographies

Ya Su is a graduate student in the Graduate School of Business Administration at Hosei University, Tokyo, Japan. She is currently pursuing a master's degree in management with a focus on corporate environmental behavior. Her research interests include greenwashing, environmental information disclosure, and corporate sustainability strategies. In particular, she is interested in how institutional pressures and managerial capabilities influence firms' environmental responses. Her current research examines the mechanisms of corporate greenwashing in the global apparel industry using cross-country data. Through her academic work, she aims to contribute to a deeper understanding of environmental governance and responsible corporate management.

Hirotsugu Kitada is an Associate Professor of Accounting at Hosei University in Tokyo, Japan. His research primarily explores how management accounting systems can support corporate sustainability and the transition toward circular economy (CE) business models. He has published academic work on cost behavior, ESG disclosure, and sustainability-oriented control systems. His recent projects focus on the financial implications of CE, including the development of frameworks for mapping cost and revenue structures and evaluating circular strategies from a financial perspective. Associate Professor Kitada is actively engaged in international sustainability standard-setting initiatives, including contributions to the development of the Global Circularity Protocol (GCP), in collaboration with organizations such as ISO/TC323 and the World Business Council for Sustainable Development (WBCSD). He also utilizes emerging AI technologies, particularly large language models, to conduct scoping reviews and analyze narrative disclosures in integrated and sustainability reports.