

# Stanford SOCIAL INNOVATION<sup>Review</sup>

---

## *Features*

### **Engaging Employees to Create a Sustainable Business**

By Paul Polman & CB Bhattacharya

Stanford Social Innovation Review  
Fall 2016

Copyright © 2016 by Leland Stanford Jr. University  
All Rights Reserved



The key to creating a vibrant and sustainable company is to find ways to get all employees—from top executives to assembly line workers—personally engaged in day-to-day corporate sustainability efforts.

# Engaging Employees to Create a Sustainable Business

BY PAUL POLMAN & CB BHATTACHARYA

Illustration by IRENE RINALDI



Inspired by Unilever’s sustainability slogan, “Small actions can make a big difference,” workers at the company’s PG tips tea factory in Trafford Park, England, had a bright idea. In Britain, most tea comes in paper tea bags. By reducing the end seals of each tea bag by 3 millimeters, 15 huge reels of paper could be saved every shift. Since its launch in 2015, this factory-floor suggestion has resulted in savings of €47,500 and 9.3 tonnes of paper (about 20,500 pounds).

Similarly, in early 2015, at the Unilever factory in Khamgaon, India, six employees approached the factory manager with the idea of starting a beauty and hair care course in their village to help local women get a job or start a business, while at the same time promoting Unilever’s personal care products. In March 2015, management gave the green light, and the training center was launched. To date, 825 women have been trained, and 610 are working in beauty parlors or have started their own business.

Were these high-profile moments in Unilever’s quest for sustainability? No. Even if you are a regular follower of sustainability news, you probably have never heard about them. That is exactly the point. What these stories show is the extent to which Unilever—along with other companies such as IBM, Marks & Spencer, and BASF—is integrating

sustainability into every employee’s job and turning a sustainable business model into business as usual.

As notable as the actions of these global companies are, they are much more the exception than the norm. In our experiences (as CEO of a global company and an educator and consultant), we have been struck by the lack of personal involvement, and at times even acknowledgment, by business managers of the importance of sustainability, particularly at large, publicly held companies. The typical reaction at many of these firms is: “Yes, it’s important, but it’s someone else’s job, and I have more important things to do.”

There are, however, a handful of companies where we see significant personal engagement by employees in sustainability issues. Take the clothier Marks & Spencer, for example, which has sustainability champions in every one of its 1,380 stores to ensure that each store performs the best it possibly can on all sustainability targets. Or the financial services firm Old Mutual Group, which created a training program for its future leaders that includes sustainability as a core component. The presence of such champions goes a long way toward making sustainability relevant and palpable throughout the company.

Besides the financial benefits that sustainability practices like energy conservation provide, studies have found that employee retention, productivity, and overall engagement all go up.<sup>1</sup> Nevertheless, it is hard for companies to operationalize sustainability goals, even when the people working for these companies, including their leaders, care about sustainability in the world. The problem is that not enough companies have yet figured out how to link their employees’ values and support for sustainability with the employees’ daily work and the





company's operations. In other words, it's not in the *why* but in the *how* of embedding sustainability where the gap lies.

What have companies like Marks & Spencer done to make sustainability personally relevant to their employees such that business decisions at every level of the company are conducted through the sustainability lens? And what can leaders of other companies do differently to overcome apathy and instill the same sense of passion and urgency in their workforces to make sustainability part of their day jobs?

This article shares what we have learned about how leading sustainability companies approach these problems, and how they succeed in making a stronger link between the values of their employees and their daily work for the company. We also offer eight important practices for embedding sustainability internally and making it relevant to the entire employee base.

### ALIGNING PERSONAL AND CORPORATE VALUES

Most employees use a rational cost-benefit calculus (what's in it for me) to decide how to act and please their superiors. In a business world dominated by maximizing profit, this calculation often leads employees to behave in ways that their organizations support but that run counter to the values employees use to conduct their personal lives. A study of young employees found that in several instances, employees suspended their own values temporarily in the belief that laudable ends justify questionable means. Rarely did these employees have the support from others within the company to voice their values and question the work they were being asked to undertake.<sup>2</sup>

Such a reciprocal relationship between organizations and their employees (i.e., sensing superiors' desires and acting in accordance) has also been noted by management scholar Paul Strebler, who found that employees and organizations have reciprocal obligations and mutual commitments that define their relationship. Those agreements are what Strebler calls "personal compacts," and corporate change initiatives (such as a transition to a sustainable business model) require changing the terms of these compacts and fundamentally reconciling personal and corporate values. Unless leaders define new terms and persuade employees to accept them, "it is unrealistic for managers to expect employees fully to buy into changes that alter the status quo," writes Strebler.<sup>3</sup>

Personal compacts have three dimensions: formal (job descriptions, employment contracts, performance agreements), psychological (rewards, recognition, expectations, and commitment), and social (perception, culture, and values). Successfully integrating sustainability into a business requires management to reconcile the gap between personal and corporate values in all three dimensions. In the formal dimension, employees observe whether sustainability is integrated into job descriptions and training programs and whether sustainability targets are tied to employees' variable compensation. In the psychological dimension, employees observe whether sustainability performance is rewarded and recognized and whether superiors set performance expectations that align with sustainability. And in the social dimension, which is key, employees observe whether there is consistency between what the company says about its values in its mission statement and what it practices.

Perceptions about the company's goals are tested when employees evaluate the balance between financial and nonfinancial objectives, and when they determine whether management practices what it

**PAUL POLMAN** is CEO of Unilever, a position he has held since 2009. He also is chairman of the World Business Council for Sustainable Development, is a UN SDG Advocate, and was a member of the UN High Level Panel on the post 2015 Development Agenda. He sits on the board of the UN Global Compact and the Consumer Goods Forum.

**CB BHATTACHARYA** is professor of marketing, Pietro Ferrero Chair in Sustainability, and founding director of the Center for Sustainable Business at European School of Management and Technology. He is a coauthor of the book *Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value*, Cambridge University Press, 2011.

preaches. That is why it is so important that leaders get involved, and are *seen* to get involved, in sustainability initiatives both inside and, as important, outside the business.

It is particularly important for company executives to lead by example in sustainability initiatives because research shows that stakeholders, including employees, are often skeptical about a company's motivations for getting involved in sustainability initiatives.<sup>4</sup> Some are persuaded to put aside their skepticism and embrace such initiatives only when they are convinced that the company is sincere about making a positive difference. In other words, when it comes to sustainability, leaders' actions speak louder than words and play a huge role in signaling company values to employees.

A company can implement eight practices to help bridge the distance between an employee's personal values and a company's business practices, in order to create a sustainable company. (See "Eight Ways to Engage Employees in the Company's Sustainability Journey" on page 37.) Each practice is detailed in the sections that follow.

### DEFINE THE COMPANY'S LONG-TERM PURPOSE

The first way to erase the conflict that people can feel between their work duties and their personal values is to stress the long-term interests of the company, which are undoubtedly more aligned with the good of society and the planet. Unilever, for example, defines its purpose as "making sustainable living commonplace" (an update of its 19th-century founder's purpose of "making cleanliness commonplace").

To put this purpose into practice, in 2010 the company introduced the Unilever Sustainable Living Plan (USLP), a blueprint for the company's sustainable growth strategy that spells out how the company's success is ultimately tied up with the success of societies and the planet. The USLP has three main goals: improving the health and well-being of more than one billion people by 2020, reducing the company's environmental impact by half by 2020, and improving the economic livelihoods of millions of women and smallholder farmers in Unilever's supply chain by 2020. An important way in which Unilever brings its purpose to life is through its brands, which are also the engine of its growth. The company is in the process of helping all of its brands—including Dove, Lifebuoy, Domestos, Knorr, and Vaseline—identify and activate their long-term sustainable living purpose.

Take, for example, Domestos, a toilet cleaner sold in 35 countries whose social purpose is to enhance people's health and well-being by reducing open defecation and improving sanitation. The Domestos business unit has committed to help 25 million people around the world gain access to toilets by 2020 and has founded the multisectoral Toilet Board Coalition to pursue these goals. Unilever's philosophy has always been to make products that meet social needs, and to do so profitably, so it is no coincidence that building more toilets potentially means more Domestos sales. It is also no coincidence that Domestos is one of Unilever's fastest-growing brands.

All companies should strive to have a clear long-term purpose built into their business strategy and bring it to life through their brands and products. A company's purpose should, of course, take account of its business model and value chain, but also build on its products' benefits, the company's scale and influence, its core competencies, and its stakeholders' concerns and aspirations. Thinking about the social purpose that a company and its brands serve enables employees to latch onto the higher purpose and use the company as a means to express their values, which in turn, creates meaning in and at work.<sup>5</sup> More than ever before, people today have a yearning for purpose, which companies have a great opportunity to tap into.

#### SPELL OUT THE ECONOMIC CASE FOR SUSTAINABILITY

Helping employees see the economic case for operating in a more sustainable way is not always easy, but it is crucial; otherwise, people will think that sustainability is just about "doing good" and not also about "doing well." General Electric's Ecomagination program to develop cleaner technology solutions, for example, has grown in 10 years from a \$700 million R&D commitment to a \$15 billion-a-year business. And Marks & Spencer's Plan A sustainability program generated a net benefit of £160 million in 2014-15.

How does a manager make the economic case for sustainability to employees? At IBM, environmental goal setting has long been an integral part of the company's overall planning process. The company uses the process to engage its business units and employees in addressing environmental challenges. The process begins with the corporate staff completing an in-depth analysis of the ways in which IBM's businesses intersect with the environment. Draft goals are then developed, considering the company's environmental objectives and its commitment to be a leader in the area of environmental sustainability. The specific goal recommendations and underlying analysis supporting the goals are then reviewed with business units to secure their buy-in. Through this process the business units gain an understanding of the environmental drivers and objectives behind each goal as well as the business and societal benefits. IBM has observed that this understanding helps garner and sustain support from business unit leadership and increase employee engagement.

Take the case of IBM's pursuit of energy efficiency. Through its decades-long energy conservation program, IBM has demonstrated that smart energy management is good for the environment and good for business, because each kilowatt of electricity not consumed avoids greenhouse gas emissions and improves IBM's bottom line.

When discussing proposed goals with business units, IBM's corporate staff also identifies opportunities that support top-line revenue growth, not just cost savings. For example, consolidating multiple computer servers that operate at low utilization rates into one larger and more energy-efficient computer server not only reduces energy demand and greenhouse gas emissions, but also reduces the number of assets needed to execute a given workload and frees up space, electricity, and cooling capacity to support new business.

These types of analyses and interactions with business units are essential to IBM's practice of embedding environmental and energy management across its global business. The information that business units gain in the goal-setting process helps them evaluate and select individual energy-efficiency projects that offer the greatest environmental and business benefits. "In 2014 alone, IBM's business units implemented over 2,200 energy conservation projects at 341 IBM locations globally, avoiding 325,500 megawatt-hours of electricity and 267,200 MMBtu of fuel oil and natural gas," says Wayne Balta, IBM's vice president of corporate environmental affairs and product safety. "These projects delivered annual savings equal to 6.7 percent of IBM's total energy use, surpassing the corporate goal of 3.5 percent, and drove savings of \$37.4 million. IBM's fact-based goals for environmental sustainability drive employee engagement, action, results, and leadership."

#### CREATE SUSTAINABILITY KNOWLEDGE AND COMPETENCE

Sustainability cuts across all aspects of a business, from energy consumption to procurement. To bolster the "can do" belief and attitude among employees, it is important to invest in educating employees about sustainability as well as to create systems and processes that make it easier for employees to integrate sustainability into their business decisions. Many sustainability initiatives require specialized knowledge and expertise—such as talking to suppliers about sustainable sourcing or using an eco-efficiency tool to evaluate a new product. No wonder, then, that companies as diverse as BASF, IBM, Marks & Spencer, and Nestlé have invested heavily in training and development, as well as systems and processes, that enable sustainability decisions to be made at a large scale.

At Unilever the company's top 500 managers go through an intensive leadership development process. The first step in the process provides the managers with 360-degree feedback and benchmarking on their impact as a leader, and supports them in identifying their personal leadership purpose to enable them to become an authentic leader. Next, the managers are encouraged to

serve as mentors for those coming through subsequent leadership programs to deepen that impact. Then the 500 managers go through Unilever Leadership 2020, which provides them with the leadership skills they need for the future, including resilience, systems thinking, empowerment, adaptability, and results orientation. To bring those skills to life, the leaders deliver a "Purpose Into Impact" project that draws on their personal purpose to deliver societal and business impact.

It's not just the top managers at Unilever who receive sustainability training. Unilever has also integrated sustainability into existing training.

## Eight Ways to Engage Employees in the Company's Sustainability Journey

- Define the company's long-term purpose
- Spell out the economic case for sustainability
- Create sustainability knowledge and competence
- Make every employee a sustainability champion
- Cocreate sustainable practices with employees
- Encourage healthy competition among employees
- Make sustainability visible inside and outside the company
- Showcase higher purpose by creating transformational change

New brand managers, for example, spend a week on a sustainability marketing challenge.

In addition, Unilever's finance team has created a valuation tool that assesses the revenues, growth, and profit margin of products and brands against targets, and tracks supply-chain savings, capital expenditures, manufacturing avoided costs, and incremental turnover of goods associated with sustainability-led initiatives. Embedding this analytical capability in the business enables Unilever to increase performance across markets and decide where to prioritize investments and marketing to focus the portfolio on delivering Unilever's purpose.

#### **MAKE EVERY EMPLOYEE A SUSTAINABILITY CHAMPION**

Every successful company shares one thing in common: strong leadership. And nowhere is that more important than in creating a sustainable company. As John Brock, CEO of Coca-Cola Enterprises, put it in the context of setting a sustainability agenda: "Frankly, the single most important thing in my view is leadership. You've got to have somebody who believes in it [sustainability]. It's the CEO. That's the number one. And then you've got to have an executive leadership team that is equally committed to it."

At Unilever, as part of leadership development, the most senior executives are encouraged to identify their personal purpose in life to help them shape their future career at the company. They are then invited to choose one of Unilever's biggest sustainability challenges linked to business growth—such as water scarcity, sustainable sourcing, or women's empowerment—and work in groups to develop solutions to present back to the top leaders in the business.

Getting senior executives personally involved in sustainability issues not only eliminates the distance between people's personal values and what they perceive to be in the best interests of the business; it also helps people find new ways of tackling strategic issues. For example, to expand sales of Unilever's biggest brand, Knorr, in Africa, a team developed a new purpose for the brand that integrates the previously separate issues of food fortification, help for small-holder farmers, and selling products in underresourced rural areas.

It's not enough to have sustainability champions at the top—they must be cultivated at all levels and geographies of the organization. At Unilever, the attention to sustainability training has led to widespread adoption of sustainability among company employees. In fact, 76 percent of Unilever's 170,000 employees feel their role at work enables them to contribute to delivering to the sustainability agenda, and about half of all new employees entering the company from university cite Unilever's ethical and sustainability policies as the primary reason for wanting to join. In a world where fewer than 20 percent of people go to work and feel happy<sup>6</sup>, a workforce like Unilever's, where almost 80 percent of people feel engaged, is a competitive advantage.

#### **COCREATE SUSTAINABLE PRACTICES WITH EMPLOYEES**

Another important way of embedding sustainability in a company is to engage employees in the cocreation of sustainable practices. And a way to do this is to act on employee initiatives. Company executives can start by making it clear that funding for sustainability projects is available and readily applied when an employee develops a good idea. The former chief supply-chain officer at Unilever, Pier-Luigi Sigismondi (now executive vice president Unilever South East Asia), says that a typical employee reaction to sustainability programs is: "Are

they really serious about this? Where is the capital to do this great sustainability project?" To which he or his team answers: "Here's the capital—show the business case, and then you will have the funds."

Companies get more and better ideas when they bubble up from the bottom. A great example of this is Marks & Spencer, which now has clothes-recycling boxes in its stores that provide income for the international nonprofit Oxfam. The boxes were an employee's idea that received support from the board and achieved great success.

Once company employees begin to see the positive impact and economic returns on social and environmental investments that they helped create, they start believing that they do have a role to play, and the ideas start to flow. It is essential for a large company to provide the framework for people to play within, and then things happen almost by magic.

Unilever's manufacturing operations have a Small Actions, Big Difference Fund that receives hundreds of ideas from employees every year. In 2015, it invested €16.5 million in 186 of the best energy and emissions reduction projects globally, which are expected to reduce global CO<sub>2</sub> emissions by 4.6 percent and energy use by 2.3 percent within one year.

#### **ENCOURAGE HEALTHY COMPETITION AMONG EMPLOYEES**

An effective way for an organization to embrace a new set of goals and foster an "I should do it" spirit throughout the company is to create a culture of healthy competition among employees. Competition stimulates creativity, and the skills that spur competition—a willingness to push boundaries, trust group members, and collectively solve problems—are the same skills needed for innovating on the sustainability front.

Connected to Care, an initiative launched by BASF in 2015, is an example of healthy competition. The chemicals company provides every employee with an opportunity to join a team, develop a corporate volunteering project in one of three core BASF areas—food, smart energy, and urban living—and submit the project to Connected to Care. In 2015, more than 500 project ideas were received from about 35,000 employees across all BASF regions worldwide. All employees worldwide are able to vote for their favorite projects.

From these, 150 were selected. Winning projects included providing clean drinking water in Africa, supporting female refugees in Sri Lanka, and beekeeping in North America. By connecting employees to both the company's core business areas and nonprofit organizations, Connected to Care reinforces the employer value proposition and the social purpose of business, and consequently it helps embed sustainability in the company.

At Unilever this kind of peer pressure was used to eliminate nonhazardous waste from the company's factories. Inspired by an ambitious zero-waste target, thousands of teams from 240 factories in 67 countries around the world combined to achieve this goal in 2014. When it was announced in 2013 that 75 percent of factories had achieved this target, it spurred the remaining factories to make an even bigger effort, as no factory wanted to be the one preventing the company from achieving its global goal.

Unilever also fosters healthy interregional competition. The company's US operations were the first to achieve zero waste, prompting Unilever Europe to take the lead in becoming the first region to achieve 100 percent renewable energy usage.

Another way of nudging behavior is by “naming and faming” people in the organization who have made a difference. One of Unilever’s important annual company awards goes to the team that has made the biggest difference in encouraging sustainable living. Another annual award, called Unilever Heroes, is presented to employees who have been nominated by other employees.

#### MAKE SUSTAINABILITY VISIBLE INSIDE AND OUTSIDE THE COMPANY

Several social cognition models point to the important role that visibility and salience play in changing people’s beliefs and attitudes and influencing behavior.<sup>7</sup> Measuring and communicating progress on key sustainability indicators always attracts people’s focus. People want to succeed in the dimensions that they are measured on. No wonder, then, that leading companies develop indicators to track the progress of their sustainability agenda, which they share with external stakeholders and employees.

Unilever, for example, has an annual review of USLP progress with stakeholders around the world and produces an internal sustainability scorecard that is updated every quarter. Senior management’s performance-related remuneration is based in part on progress against sustainability targets. Indeed, the company has moved beyond simply reporting progress to engaging external stakeholders to cocreate potential solutions to social and environmental issues.

But metrics aren’t the only attention-getting device. Symbols and signage are also important. Marks & Spencer has signs galore encouraging employees to take the stairs rather than an elevator, if only for a few floors. At Unilever, notices in washrooms and WCs are used to engage employees in the social purpose of Domestos on the United Nations’ World Toilet Day and in Lifebuoy’s social mission on Global Handwashing Day. In Unilever staff restaurants on World Food Day, employees are served the same meals that children in developing countries receive who benefit from school meals provided by Knorr in partnership with the UN’s World Food Programme. Unilever also runs several employee well-being programs (such as mental health awareness) that further demonstrate the company’s commitment to sustainability in the minds of its employees.

To keep visibility high and reinforce the idea that achievements in sustainability are meaningful for the company, it is also important to celebrate success when goals are reached or awards won (such as category leadership in the Dow Jones Sustainability Index). Employees need to feel they have played a part in achieving goals and recognition. It reinforces their resolve and strengthens their identification with the company.<sup>8</sup>

#### SHOWCASE HIGHER PURPOSE BY CREATING TRANSFORMATIONAL CHANGE

While external engagement is a critical component of transitioning to a sustainable business, it is also key to building credibility and legitimacy, and consequently pride and identification, with employees. Unilever set audacious targets and made them public, so it is incumbent on the company to communicate progress and motivate employees to deliver them.

Leading sustainability companies have another thing in common: they want to make a bigger impact by influencing and working with other companies, whether in their value chain or among

competitors. Doing this fosters a sense of unity among employees because they see that achieving sustainability is not just about themselves, or even their own company, but rather a societal issue with global implications, all of which inspires them to join in.

To help tackle deforestation, for example, Unilever and Tesco led the global Consumer Goods Forum—an industry network of about 400 retailers, manufacturers, and service providers with a combined turnover of €2,5 trillion—to announce a moratorium on deforestation. This laid the groundwork for the formation of the Tropical Forest Alliance—a broader global umbrella partnership bringing together governments, the private sector, and civil society organizations—which launched its commitment to eliminate deforestation in the palm oil, beef, soy, and pulp and paper industries. The work of these coalitions culminated in 2014 in the UN’s New York Declaration on Forests, which pledged to end global forest loss by 2030.

Achieving these commitments requires companies to innovate new ways of doing business. Unilever, for example, has shared the technology it developed to create compressed deodorant cans with a lower environmental footprint by making it available to its competitors through open sourcing. Similarly, the company has started crowdsourcing sustainability ideas from consumers through its Foundry IDEAS platform. This openness creates profound cultural shifts within the organization and helps to unite employees around the higher social purpose.

#### PURPOSE AND PRODUCTIVITY

We should all aspire to leave our world a better place. For an individual, that means behaving in a sustainable manner in his or her personal life. For a company, that means having a meaningful and strategic purpose and finding ways to tie that purpose into the values and day-to-day work of individual employees.

Every person wants his or her working life to have a higher purpose that goes beyond doing a job and earning an income. Yet too many people spend most of their waking hours in workplaces that fall short of providing that higher social purpose. Companies that can resolve the tension people feel between their personal values and the best interests of the business will benefit by having a highly engaged and productive workforce—proud to play a part in bringing positive change to communities around the world. ■

#### NOTES

- 1 CB Bhattacharya, Sankar Sen, and Daniel Korschun, *Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value*, Cambridge, England: Cambridge University Press, 2011.
- 2 Wendy Fischman, Becca Solomon, Deborah Greenspan, and Howard Gardner, *Making Good: How Young People Cope With Moral Dilemmas at Work*, Cambridge, Mass.: Harvard University Press, 2005.
- 3 Paul Strelbel, “Why Do Employees Resist Change?” *Harvard Business Review*, May/June 1996, p. 86.
- 4 Bhattacharya, Sen, and Korschun, *Leveraging Corporate Responsibility*.
- 5 Michael G. Pratt and Blake E. Ashforth, “Fostering Meaningfulness in Working and at Work,” in Kim S. Cameron, Jane E. Dutton, and Robert E. Quinn, eds., *Positive Organizational Scholarship: Foundations of a New Discipline*, San Francisco: Berrett-Koehler Publishers, 2003, pp. 309–327.
- 6 *Gallup Daily Tracking*, Gallup, 2015.
- 7 Christopher J. Armitage and Mark Conner, “Social Cognition Models and Health Behaviour: A Structured Review,” *Psychology and Health*, 15, no. 2, 2000, pp. 173–189.
- 8 CB Bhattacharya, Sankar Sen, and Daniel Korschun, “Using Corporate Social Responsibility to Win the War for Talent,” *MIT Sloan Management Review*, Winter 2008.