



CORPORATE SUSTAINABILITY
Employees Want The Change

JULY 2008

“It’s a new era for business: more and more business leaders recognize that their company’s future is increasingly intertwined with the needs and demands of society. What many executives don’t understand is how best to manage that changing relationship!”

New research by Fresh Marketing reveals that employees are embracing the principles of corporate social responsibility – they **want the change** and they are looking for ways to bring their values to work. The research also reveals the uncertainty felt by executives over how to successfully address the environmental, and social impacts of their businesses.

Fresh Marketing has engaged many peers and business leaders in this conversation over the past few years. With the goal of supporting employees, we conducted the Corporate Sustainability Employee Study, a 9-minute online survey, in the first quarter of 2008. Study sponsors included Re:Vision, Kelley Campaigns and Natural Logic.

Addressing the environmental, social and economic impacts of business, or corporate sustainability, includes many areas that run deep and wide in an organization. This can include eliminating waste in the supply chain, reducing the carbon footprint of office buildings, ramping up corporate wide volunteer programs, ensuring that all workers are paid fair and equitable wages and reducing the toxins or harmful ingredients in products.

The 2008 Corporate Sustainability Employee Study reports on data collected from 129 employees from a range of large corporations to small and medium enterprises.

Respondents shared their views and provided advice on how to ensure more social and environmental initiatives are incorporated into their company’s agenda.

To delve more deeply on this topic, we also held in-depth conversations with thought leaders and willing employees.

Those who agreed to be quoted include interviews conducted with:

Michael Dupee - Head of CSR, Green Mountain Coffee

Tavia Bentley - Community Affairs, PriceWaterHouseCoopers, UK

Amy Hall - Director of Social Consciousness, Eileen Fisher

Justin Smith - Business Development Manager, Domtar

Catherine Sanders - Project Manager, Morningstar, Inc.

Dianne Dillon-Ridgley - Board Member, Interface

KEY MESSAGES: EMPLOYEES WANT THE CHANGE

The 2008 Corporate Sustainability Employees study has two key messages. Firstly, it demonstrates that employees **want the change**. Secondly, as the corporation is just an entity, it is up to us as employees to champion ways to increase the positive social and environmental impacts of our businesses and to influence our peers to do the same. Many employees are already working fervently toward these goals, successfully bringing about behavioral change on both macro and micro levels. The in-depth interviews conducted with several respondents allowed for exploration of how the experiences of respondents reflected the issues and the challenges affecting the business community.

The good news is: many employees feel it's getting easier to engage their firm on these often debated topics. They note how companies from ABN AMARO, GE, Green Mountain Coffee Roasters, HP, Interface, Nike, Timberland and Wal-Mart, and more, have helped to bring greater awareness to consumers, investors, board members and other employees. It was often mentioned that the recent announcement from Wal-Mart that vendors must adhere to a code of sustainability, with standards stricter than those mandated by the US government, impacts billions of dollars and sends ripples through the marketplace. Since, as the saying goes: when Wal-Mart sneezes, the world catches a cold, the latest environmental movement being championed by Wal-Mart is quickening the adoption of corporate responsibility.

If you are working to reduce the negative impacts of business while finding ways to increase positive impacts, the phrase that resonates is: **want the change**.

When an employee wants the change, he/she will then seek out information, connections and opportunities. Moving a company toward higher engagement on sustainability or social impacts is often accomplished through significant personal effort and investment. What propels most to engage others or take action is first a desire to want the change and then an astuteness to know how to connect this shift to the best interest of the firms. Be it customer loyalty, reduced governance risks, cost savings, product innovation or marketplace leadership, connecting to the business challenge and revenue stream is key.

KEY LEARNING:

- 1 One-third of businesses are taking sustainability to the core of the firm
- 2 54% of employees feel confused over how environmental and social impacts are addressed or feel they are treated in silos
- 3 83% of companies have not fully incorporated corporate responsibility performance into business metrics
- 4 9 out of 10 employees link brand reputation to addressing environmental and social impacts
- 5 1 out of 2 employees feel their company is poor at communicating social and environmental concerns to key stakeholders
- 6 75% of employees say their firms are not investing in corporate responsibility training
- 7 Most employees want more education and resources on corporate sustainability as only 1 in 10 feel completely prepared
- 8 From developing informational videos and podcasts, writing articles for company newsletters to hosting seminars, employees are working to educate their peers on sustainability
- 9 Employees rank GE, HSBC, Intel, J&J, Marks & Spencer, Nike, Patagonia, Starbucks, Timberland, Unilever and Wal-Mart as the more socially responsible companies

As we analyze ways to get more peers to put weight and urgency on issues related to the environmental and social impacts of their businesses, we fully recognize the steep challenges. Traditionally, as employees, we manage a fragmented bit of the overall company process. We have very transactional-based relationships often driven by cost, quality, convenience and the latest stock prices of our firms. This was eloquently described by respondent Justin Smith, Business Development Manager for Domtar Paper who said:

“Conversations about how we can drive decisions on the social and environmental values of our business often feel like we are swimming against the tide”.

However, despite this, Justin and a handful of his peers were able to facilitate considerable behavior change in their workplace. They worked with the Rainforest Alliance Foundation to promote the use of FSC (forest certified sustainable) paper. Recently when the firm was merged with the fine papers division of Weyerhaeuser, Justin worked with his peers from Domtar to ensure that Domtar's social and environmental philosophies and practices—particularly in the area of supporting sustainable forestry for paper manufacturing—were adopted by everyone in the new organization. They brought in information from Rainforest Alliance to help state their case. “Being willing to champion and steward programs, information and processes that we know are good for our environment and our customers was our main focus,” explains Justin Smith. The commitments of the now merged company to this effort are continuing to help the company expand their revenue goals and attract new customers.

Amy Hall, Director of Social Consciousness at Eileen Fisher, shared how she initially reached out to groups like Business for Social Responsibility (BSR), Social Venture Network (SVN) and Women's Network for Sustainable Future to help her better understand the issues and connect with other peers in the apparel industry. Over the past fifteen years that Amy Hall has been involved with Eileen Fisher, she has seen enthusiasm spread to so many co-workers – from those who now only purchase green cleaning supplies to others who champion highly successful volunteer or non-profit programs that they run on their own time. Amy cautions all employees and executives who travel down this path to develop clear guidelines so that decisions can be anchored. She coaches:

“It's important to be as specific, even set clear financial guidelines around how much more employees can spend on products that have eco-friendly footprints – this even includes how much price should factor into manufacturing and purchasing decisions.”



Similarly, Mike Dupee at Green Mountain Coffee feels the keys to success in social responsibility are about developing a core strategy or core values that all programs and initiatives center around. “You must know what you are trying to accomplish, and be more specific than simply doing well by doing good.” Mike coaches employees to get specific - understand and identify what you think it is that you want to change if you do your responsibility work well. Mike talks about the four areas that Green Mountain Coffee Roasters identified as key to their social and environmental programs: poverty, solid waste, hunger and responsible energy.

“If the social and environmental work you are doing is not related to your business in a way that is easy to understand and validate, then you run the risk of creating something that is not going to last if times get rough.”

Employees have many roles to play, but clearly the more innovative and responsive they are in helping their firms find competitive advantages - collaboration, consistency and innovation, the more successful they will be.

For Tavia Bentley, Community Affairs Executive at PricewaterhouseCoopers, UK, sustainability and community action have been part of their corporate culture for decades. From programs developed through Community Affairs to counteract the social exclusion of young people to the recycled plastic pens that appear in all meeting rooms, PricewaterhouseCoopers continues to connect their business to benefit society. Tavia takes pride in helping her firm engage on these key issues.

“Assessing and addressing environmental impacts is becoming universal – it’s more and more old school that gives push back or doesn’t understand the benefits.”

Tavia’s work is currently focused on helping employees to understand what efforts the firm is engaged in, both inside the firm and with clients and vendors. She is also currently conducting a study among employees to ascertain how much importance employees place on the firm’s environmental and community involvement programs.

There are many forces that are propelling companies to take a look at the way they conduct their business. Businesses have never been shielded from the most pressing problems like poverty, hunger, disease, pollution and unfair labor practices; however, today's issues are far more complex, global, fast changing than ever before. This becomes a great opportunity for willing companies to develop new products, new services that dispel consumer distrust or reinvigorate eroding brand trust while adding to a more stable world.

Catherine Sanders, a project manager at Morningstar, Inc., has experienced first hand how best to gain the attention of more of her co-workers on these topics. What began as a curiosity about the number of water bottles being discarded and recycled at her firm became a longer-term opportunity to help move the firm to new "greener", more environmentally friendly office space. Dismayed by the large quantity of plastic water bottles being consumed and discarded at Morningstar every day, Catherine presented a two-page summary to management outlining the environmental and health benefits of switching from bottled to filtered tap water. Catherine learned that Morningstar was already planning a switch to filtered water.

"My conversation about filtered water opened the door to further discussions about other environmentally friendly initiatives. Today, I am helping to shepherd several green initiatives as the firm plans to move its 1200 Chicago employees to new offices in late 2008."

Through an internal blog, employees can offer suggestions on what they would like to see in the new building as well as get updates on the building's progress and features. "In this way, we both incorporate the input from our co-workers as well as have an interactive, engaging vehicle that helps us communicate our plans and priorities," says Catherine Sanders.

This brings up another salient question. How can companies set the stage or support this openness and self-reflection when this requires risk taking and an inviting environment with space for honest feedback? Innovation plays a key role here too, however, change doesn't usually happen quickly in organizations. Even when it comes to simple matters, it takes many voices to get on board.

Speaking up about what your firm is or is not doing in CSR is a risky endeavor. While some firms are hoping to fly under the radar on this topic, for the most part – this discussion opens up a can of worms and could expose the company to undue risk. It's important for firms to put in place resources and paths for employees to openly discuss, debate, measure risks and calculate costs of all its endeavors. The best way to do this is to ensure that the organization cultivates a more risk friendly culture.

According to Dianne Dillon-Ridgley, a long-standing human rights and sustainability advocate who sits on the boards of numerous companies, including Interface, “Companies need to re-examine their products not just their missions. They need to understand how their products fit with the tenants of responsibility. If it's not consistent with the changing path they need to decide how to change it.”

Dianne speaks about the need for companies to come together to solve these tough issues through collaboration, innovation and creativity:

“We have incredible smart people not just C-Suite but throughout our organizations, we have many fabulous ideas, energy, creativity, and enthusiasm. Far too seldom companies are structured in a way that easily allows people to release that creativity in a collective sense of community to begin to solve these issues.”

Diane also brings up a highly relevant point that seems to be missed from many sustainability conversations, that is the idea that employees are just as engaged as conscious consumers so it's important to think about our roles inside companies in ways that address this mindset.

“I may work here, be a citizen here and someone looking to engage in my community here, but in reality you are one person looking to integrate all elements. How can we empower employees to be able to think of ourselves as not just separate components but integrated employees who are proud of what they do.”

Mohammed Yunus makes the same point in his book Bank for the Poor. “Human beings are not just workers, consumers or even entrepreneurs. They are also parents, children, friends, neighbors and citizens. They worry about their families, care about the communities where they live, and think a lot about their reputations and relationships with others.”



Sustainability may have been around for many, many years but it is only recently becoming a highly vocal topic for many of today's corporations. The conversations and news around this topic are very different today. No matter how your firm participates in this shift, the reality is that the conversation is seen as much more relevant to business growth and prosperity. So, just like we as employees have learned to speak the language of cost-cutting, outsourcing and relentless pursuit of speed and efficiency, allowing employees to express the other sides of their persona can be of immense benefit to both the individual and to the company.

As we take bolder steps to ensure that businesses have a positive impact on society, we will need to enlist more of our co-workers. This will mean we all need to rethink, evaluate and speak up while we continue to do our jobs in a way that meets our job descriptions, our company's profit goals and our personal values.

DETAILED FINDINGS:

1 One-third of businesses are taking sustainability to the core of the firm

The majority of respondents say their companies are attempting to assess their environmental footprints, collaborate with NGO's and developing approaches to positively impact society or reduce harmful impacts.

- ◆ About one-third (31%) of respondents say their firm puts assessing and addressing the environmental and social impacts of business at the heart of everything it does.
- ◆ A slightly larger number, 35% say this is an issue being actively addressed by their firms.
- ◆ For the remaining 34%, environmental and social issues are still on the sidelines so in these places, impacting change might be an even greater challenge.

2 54% of employees feel confused over how social and environmental impacts are addressed or feel they are treated in silos

The keys to successful social and environmental efforts by companies include shared performance measures, clear communication to stakeholders and leadership to develop shared goals. The responses demonstrate that there is work still to be done to ensure social and environmental concerns are more integrated and become central to all parts of business practice.

- ◆ Integration is clearly a key issue with 46% of employees reporting that social practices are 'integrated at my firm'.
- ◆ 36% report that practices are dealt with 'in silos'.
- ◆ The remaining 18% are unsure how ESE impacts are treated.

3 83% of companies have not fully incorporated corporate responsibility performance into business metrics

The survey revealed that a majority of companies seem to be in the initial stages of measurement and metrics.

- ◆ 13% report company wide standards, tied to business performance metrics and compensation
- ◆ 45% of respondents' report that their firms have either loosely or ill-defined metrics, more often not tied to job performance.
- ◆ 14% are in development of formal metrics
- ◆ 26% are not developing/not interested or not sure

Without metrics it is difficult to define a starting point and to understand where measurable efforts are needed for demonstrated improvement. While there's no complete set of rules on how to measure this yet, as in accounting, companies need to evaluate available third party, industry, and legal requirements to construct the set which best works for them. When more firms start embracing shared metrics, it will be easier for us to measure progress. Being able to converse with employees about comparable metrics will be more empowering as one can then know how his/her company stacks up against peers.

4 9 out of 10 employees link brand reputation to addressing environmental and social impacts

The survey asked employees to look at the individual business areas and to rate how important social and environmental impacts weigh in to the decisions made at their firms. Brand Reputation is the highest rated business concern; followed by philanthropy, environmental footprint and corporate strategy.

- ◆ Almost 9 out of 10 employees link brand reputation to addressing environmental and social impacts.
- ◆ About 8 out of 10 link this transition to core company growth operations such as meeting changing customer needs, sales/business development and employee training.
- ◆ About 6 in 10 report that operations, manufacturing and product design factor into these decisions.
- ◆ About 6 out of 10 see media/NGO pressure as important to their company's decisions.
- ◆ About 4 out of 10 stated investor or shareholder concerns as highly important to their company's efforts.

5 1 out of 2 employees feel their company is poor at communicating social and environmental concerns to key stakeholders

When it comes to communicating their firm's initiatives, most employees rate their companies only fair to poor.

- ◆ 50% of employees - don't know how well their firm communicates or say their firm does a poor job of getting their message through to Shareholders, Vendors and NGO/Watchdog groups.
- ◆ 23% of employees think their firm is highly effective in communicating initiatives to business leaders or employees.

More often, peers feel their firms are only doing somewhat of an effective job in communicating or not communicating at all.

This lack of communication could be related to the reluctance of companies' to talk about aspects of their "triple bottom line" or sustainable initiatives. However, it is apparent we need to help our firms do a better job of understanding what should be communicated (programs, intentions, initiatives, awards, etc.) and linking this to establishing a stronger brand reputation. Clear communication of values and practices is a win-win for everyone.

6 75% of employees say their firms are not investing in CSR training

Given that corporate responsibility is a challenging and somewhat newer topic, the survey asked employees how prepared they felt and if they believed management was invested in helping them to get the training they need.

Less than one-quarter feel that management is highly invested in helping them gain the tools and knowledge to address these issues. Most reported that management was "somewhat," "mildly," or "not at all invested."

7 Most employees want more education and resources on corporate sustainability as only 1 in 10 feel completely prepared

Clearly, education, advocacy and information are the principle elements to helping more of our peers go forward on corporate sustainability. Only about 1 out of 10 report feeling completely prepared on this topic. A majority reports that they are somewhat prepared and open to education. And, for a handful (5%), the task seems to be overwhelming as they are not sure where to even start. The more we can do to reach out to peers, to help share the information and resources that have helped, the stronger companies can all become in impacting the health and well-being of the society in which we operate.

8 From developing informational videos and podcasts, writing articles for company newsletters to hosting seminars, employees are working to educate their peers on sustainability

The survey asked employees if they would share a few insights on what they or other employees at their firms were doing to bring more attention to this topic. We received quite a range of answers. The range included small steps such as recycling programs to the larger initiatives that included hiring of sustainability consultants and engaging in multi-stakeholder initiatives. A few companies, who appear to be well versed on the topic, offered how they are share information with others by presenting at conferences and with speaking engagements.

“I kept weaving it into content produced: print, conference sessions. I now have outside consultants helping define what need to do internally for environment, social and economic measures and business processes, as well as what to create to help our members be leaders in their profession and organization in this area.”

“I sent resource/educational info to decision-makers within the organization; raising questions about our business practices to senior management; incorporating sustainable practices into decisions over which I have control or influence.”

“Some large customers care more about this than executives, so some progress on CSR policy has been made to include in proposals (sweatshops and sustainability, primarily).”

9 Employees rank GE, HSBC, Intel, J&J, Marks & Spencer, Nike, Patagonia, Starbucks, Timberland, Unilever and Wal-Mart as the more socially responsible companies

Employees were asked which companies in their industry they look up to as innovative or transforming business to address social and environmental factors. GE, Intel, HSBC, Patagonia, J&J, Marks & Spencer, Nike, Starbucks, Timberland, Unilever and Wal-Mart are the most often mentioned companies by those who completed the survey. (Complete list of data and companies available upon request.)

Study provided by Fresh Marketing

For further information, please contact Shari Aaron at saaron@freshmarketing.com
914.879.5326

Acknowledgements:

Study sponsors: Re:Vision, Kelley Campaigns and Natural Logic.

Article contributors:

Noreen Nilan Pfadenhauer, Stelios Loizides and Amy Fetzer.

About Fresh Marketing:

Fresh Marketing, a strategic marketing and research firm, brings years of insights into emerging consumer trends and innovative, business building strategic planning. We tackle the difficult issues, leading companies to meet the growing demand for social responsibility in ways that resonate deeply with customers and stakeholders, build brand value, long-term growth and sustainability.

Are you looking to:

Tap into the latest consumer attitudes regarding conscious consumerism or align corporate citizenship efforts in ways that resonate deeply with stakeholders?

Fresh Marketing is passionate about helping enterprises inspire stakeholder loyalty and build value. We provide the strategic intelligence and market research tools you need to meet today's corporate citizenship and sustainability challenges.

We focus on three core competencies:

- ◆ Market Research - qualitative and quantitative
- ◆ Strategic Branding
- ◆ Corporate Sustainability

www.freshmarketing.com



saaron@freshmarketing.com 914.879.5326 www.freshmarketing.com

