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Essay

## Engage employees and transform social and economic performance

By David Grayson and Melody McLaren

**Forward thinking companies embrace intrapreneurs and employee social interaction to develop sustainability programmes driven from the top down and bottom up**

Finding ways to promote “employee engagement” has become a hot topic as employers strive to do more with less in challenging economic times. The 2009 MacLeod Review highlighted the business case for improving employee engagement but employers have not yet discovered a magic bullet to ensure employees’ commitment, motivation and productivity.

However, forward-thinking employers have discovered that engaging employees with sustainability<sup>1</sup> issues and responsible business practices can be instrumental in enhancing both sustainability and commercial performance. As Oliver Balch noted in his October 2010 Ethical Corporation briefing, engaging employees with corporate responsibility can “unlock a potential wealth of innovative thinking from within a business”.

An analysis of our own Doughty Centre research as well as related work by our colleagues suggests that employee engagement is important as both a driver and an outcome of “corporate social performance” and creation of “sustainable business value” (Eabis, 2009).<sup>2</sup>

In this essay we will examine the business case for engaging employees with sustainability issues as well as specific aspects of engagement practice. We propose an integrated “top-down/bottom-up” approach that companies can take to support

employee engagement in their own organisations.

The Doughty Centre will be publishing shortly a “How To” guide on engaging employees with corporate responsibility – produced in association with Futerra Sustainability Communications and Camelot – which will be made available via our website.

The guide will help employers understand how, why and what to do in order to engage employees with corporate responsibility. It offers two dozen separate engagement tactics to be used depending on the conditions in the company.

### The business case for engaging employees

Evidence suggests that responsible companies working to engage their employees with the development of their sustainability strategies and practices enjoy a range of inter-linked benefits:

- Responsible businesses enjoy greater “pulling power” – ie they are better at attracting and engaging employees generally.
- Engaged employees, in turn, create greater business value – eg offering better customer service, sharing their innovative ideas, going the extra mile, remaining committed to the organisation.

Other section content:

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- Social intrapreneurs – a special category of change agents whom we have been studying at the Doughty Centre – are adept at creating both social and commercial value for their employers.
- Employees engaged with corporate sustainability help improve “corporate social performance” which, in turn, supports creation of “sustainable business value”.

### Sustainable businesses enjoy greater “pulling power”

In a March 2011 review of the business benefits of corporate responsibility,<sup>3</sup> the Doughty Centre and Business in the Community highlight the impacts of responsible behaviour on employees and recruits, including employee motivation, productivity, recruitment, satisfaction, retention, engagement and loyalty.

According to research by the Institute of Chartered Accountants in England and Wales (2007),<sup>4</sup> employees expect their employers to adopt “a like-minded approach to the environment, community welfare, sustainability, employee diversity and work/life balance”.

Research by Boston College Centre for Corporate Citizenship and Reputation Institute (2009)<sup>5</sup> found that two out of three people polled in 25 countries prefer to work for a company known for its social responsibility. A poll of Monster Worldwide job website users found 80% want a job with a positive impact on the environment and 92% want to work for an environmentally friendly organisation, while eight out of 10 Ipsos Mori poll respondents want to work for “environmentally ethical” organisations.<sup>6</sup>

Writing in Harvard Business Review about the links between sustainability and innovation, Nidumolu et al (2009)<sup>7</sup> noted

that three-quarters of workforce entrants in the US regard social responsibility and environmental commitment as important criteria in selecting employers.

Why should engagement with sustainability prove so attractive to potential recruits? Adam Werbach, global CEO of Saatchi & Saatchi S, the communication group's sustainability practice, explains: "Sustainability provides a fresh conversation for soliciting employee input, unleashing employee creativity, surfacing and recognising leadership talent, and driving innovation – all of which further engage employees."<sup>8</sup>

### Engaged employees create business value

Employees that are engaged with the work of their businesses add value on a number of fronts, whether it is by offering better customer service,<sup>9</sup> sharing their creative ideas freely,<sup>10</sup> contributing to productivity, having fewer workplace accidents or remaining with the company longer than their less engaged counterparts. These benefits have also been identified in the Doughty Centre/Business in the Community business case review (cited above).<sup>11</sup>

Among employees for whom sustainability issues are important, 75% of those who consider their organisation to be paying enough attention to environmental protection and sustainable development exhibit high levels of commitment, while 52% of those working for organisations that they believe possess inadequate corporate responsibility policies demonstrate low levels of commitment.<sup>12</sup>

### Improved social performance drives sustainable value creation

Research commissioned by Business in the Community (The Value of Corporate Governance: The positive return of responsible business, 2008) found that FTSE companies that actively managed and measured corporate responsibility issues outperformed the FTSE 350 on total shareholder return by between 3.3% and 7.7% throughout the period 2002-7.

Subsequent research published by the European Academy for Business in Society (Eabis, 2009)<sup>13</sup> – to which the Doughty Centre contributed – has delved further into the relationship between management of corporate responsibility and financial outcomes. The Sustainable Value Eabis Research Project concluded that responsible business values and activities underpin a

"value creation framework" which, in turn, results in key revenue-related outcomes (growth opportunities, competitiveness positioning and brand equity) as well as positive cost-related outcomes (ie reduced labour and capital costs, competitiveness positioning, operational efficiency and improved risk management).

In response to the difficulties of proving that improved environmental, social, governance (ESG) performance – commonly referred to as "corporate social responsibility" performance – affects business performance, this report argues that a more fruitful approach is to identify how improved ESG performance can improve individual elements of non-financial performance, and thereby, create future value.

The value creation framework (shown below) can be used both by business itself to help embed a commitment to corporate responsibility and sustainability; and by the investment community to refine its business valuation models.

### Entrepreneurial employees create business and social value

At the Doughty Centre we are researching the work of social intrapreneurs – people in large companies who develop innovative products, services or business processes that create both social and commercial value. Building on groundbreaking work by SustainAbility led by John Elkington<sup>14</sup>, in 2008 our team examined the journeys of 25 social intrapreneurs in their quest to improve their businesses as well as the environment and society.

We identified a range of attributes of social intrapreneurs – encompassing their

life experiences, behavioural tendencies, skill sets and contact networks – and published our initial findings in a Doughty Centre Occasional Paper issued in January 2011.<sup>15</sup>

We have learned more about how social intrapreneurs can play a pivotal role in harnessing business resources to enhance corporate social performance as well as building the innovative capacity that underpins sustainable business value. We are now working to identify features of the enabling environment that promote social intrapreneurism – including strategy, culture, organisational design, communication, human resources management and other operational practices – so that organisations might become more effective at improving their corporate social performance as well as creating sustainable business value.

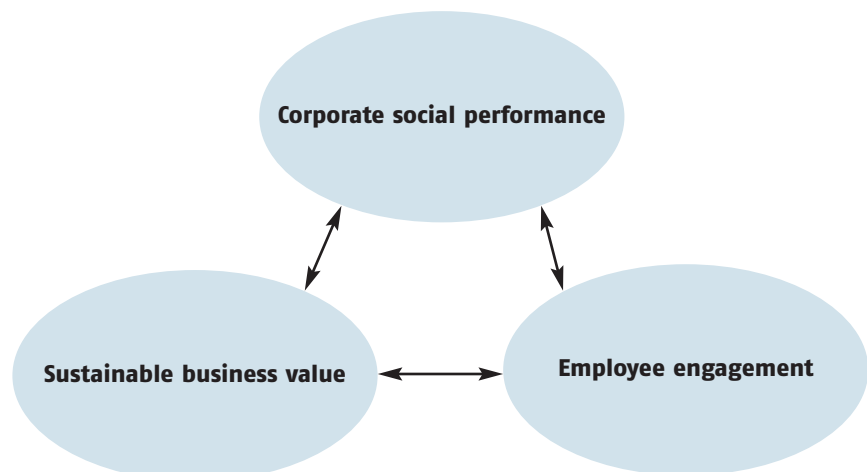
### Linking corporate social performance and sustainable business value

All the work described above suggests that:

- Employee engagement is both a driver and an outcome of corporate social performance and sustainable value creation.
- Corporate social performance has both a direct and indirect impact (via employee engagement) on the creation of sustainable business value.
- Social intrapreneurs – who are engaged in both social and commercial innovation – can improve corporate social performance and enhance sustainable business value.

These relationships are summarised in figure 1 below.

Figure 1: Linking performance and value



**Blending ‘top down’ and ‘bottom up’ approaches**

Senior managers who understand the business case for engaging their employees with sustainability then need to decide how to do it. Which techniques work best?

Dame Julia Cleverdon, vice-president of Business in the Community, has famously said that effective engagement of employees with corporate responsibility activities is a blend of two approaches.

One is the cafetière (“top down”) approach – which focuses on developing management strategy, policies and initiatives for roll-out across the organisation. The other is the percolator (“bottom up”) approach – developing and linking grassroots activities with each other and with corporate strategy and objectives.

In a Doughty Centre Working Paper (Grayson and Sanchez-Hernandez, 2010<sup>16</sup>), we have analysed these twin processes in more detail. Marketing tactics such as market orientation, communication and segmentation can be adapted to support the engagement of employees with sustainability issues. The framework below sets out how the “four Ps” of marketing (product, price, place and promotion) can be deployed within an organisation to embed responsible business practices into everyday processes and cultures.

A key feature of the model is that it is bi-directional, with feedback from employees through various channels deemed as critical to the success of engagement with corporate responsibility initiatives.

**Top down and bottom up: A model of internal marketing for corporate responsibility engagement**

The top down/bottom up theme is continued in a forthcoming Cranfield book on corporate sustainability, with David Ferguson and Martin Clarke identifying 10 success factors for employee engagement with corporate responsibility.<sup>17</sup>

1. Clearly link corporate sustainability vision and leadership behaviour.
2. Encourage distinctive formal and informal employee involvement towards shaping and framing the corporate sustainability value-base and strategic/operational issues.
3. Provide “public” commitments and endorsements for corporate sustainability strategy and planned objectives from managers.
4. Factor in politics, stimulate and protect

innovative pockets of good practice at different levels around the company.

5. Balance “top down” and “bottom up”: transparently balance open organisational governance structures with employee-level representations, debate and discussion forums, that are empowered and acted upon.
6. Regular and fully accessible “integrated” communications from management and staff around existing performance, good practices and innovations to adopt, with discussion and engagement around key problems and future directions.
7. Debate and communicate to formulate consistent management decision-making around good and poor corporate sustainability performance across the company.
8. Individual, team and cross-functional levels of recognition and “personalised” flexible rewards for contributions to the company’s corporate sustainability strategy.
9. Provide individuals with information around their local performance criteria, with knowledge transfer opportunities around practices, approaches and thinking.
10. Management development for key individuals to lead engagement in sustainability with political acumen.

**Connecting the dots: social networks can engage employees**

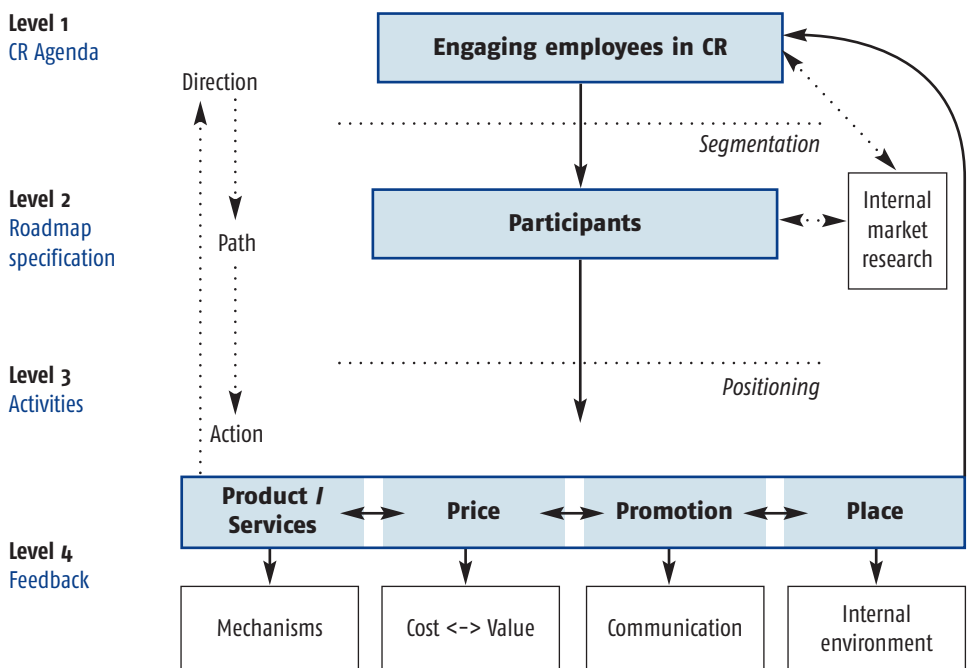
Social networking has become part of our everyday lives. Whether we connect with each other face-to-face, on the phone or online through web platforms such as Facebook, Twitter, LinkedIn, emails or instant messaging, we spend much of our time exchanging stories about our work and lives.

Companies can harness the power of social networks to create an integrated “top down/bottom up” approach that inspires workplace colleagues, partners and others to take individual actions in support of corporate responsibility programmes whose values they share.

Recognising the “power of one”, Saatchi & Saatchi S – which worked with Wal-Mart to help its two million employees develop personal sustainability plans – launched a Connect the Dots (Do One Thing) campaign which aims to engage one billion people – in companies, universities and other places around the world – as change agents who, through small, consistent actions, achieve large-scale sustainability goals.

Managers need to remember that their organisation is a vast social network. Everyone working in, or with, the business is, in turn, at the centre of their own personal social networks, with connections inside and outside the organisation.

**Figure 2: Top down and bottom up**



"Some companies are already realising profits by putting sustainability at the core of their business. Not with top-down directives from executives, but from dozens, even hundreds of small steps taken by people at every level of their companies."

Adam Werbach, global CEO of Saatchi & Saatchi S

Drawing on our own research with social intrapreneurs, we know that companies can unlock tremendous "people power" by resourcing (with leadership, funds, facilities, time, etc) and inter-connecting members of their organisations who are interested in achieving sustainability goals. These can encompass corporate activities in the workplace (eg promoting work-life balance, gender/age/ethnic diversity, employee physical and mental health, improving corporate governance), environment (eg reducing energy use, waste, CO2 emissions), marketplace (eg brand campaigns promoting responsible drinking, healthy eating, physical activity) and community (eg employee volunteering, economic regeneration, crime reduction).

You can start by discovering who and where the most passionate "sustainability change agents" are inside and outside your organisation's social network. Engage these individuals in a dialogue about what sustainability issues matter to them and why and how these interlink with your company's purpose, mission and values. This dialogue can be the first step in assessing your company's sustainability "story" – the narrative that captures why and how your organisation acts to support sustainability goals.

Interview research conducted with corporate responsibility practitioners for our "How To" Guide on CR Knowledge Management (January 2011)<sup>18</sup> has found that corporate responsibility specialists can play a crucial role as "master storytellers" who work with and inspire others across the organisation to "Act" in support of achieving sustainability goals:

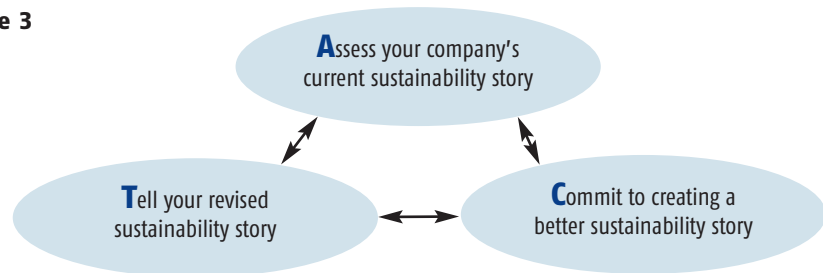
**A**ssess a company's current sustainability "story" through dialogue with key stakeholders inside and outside the organisation.

**C**ommit the organisation to create a better sustainability story through engaging and supporting individuals to act as sustainability change agents.

**T**ell the revised sustainability story through use of the company's formal communication channels as well as through informal social networks, including social media.

## ACT to develop your sustainability "story" to build a corporate responsibility community of practice

Figure 3



Engaging employees with sustainability issues can play an important role in the creation of both social and commercial value. As noted above, evidence suggests that employee engagement is both a driver and a desired outcome of corporate social performance and creation of sustainable business value.

Forward-thinking companies have recognised the power of employee engagement and are working both "top down" and "bottom up" to activate the power of their corporate social networks to achieve social goals as well as build

more commercially successful businesses.

We welcome the opportunity to collaborate with other companies, organisations and individuals in researching these models and ideas further and applying our collective learning to improve the business practices of responsible companies as well as sharing this knowledge with current and future business leaders. ■

David Grayson is director, and Melody McLaren an associate, of the Doughty centre for corporate responsibility at Cranfield School of Management.

## References

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