

# Key Takeaways – ESG Center

## Building a Sustainability Culture Working Group: Session Three – How to Evaluate, Measure, Track, Reward, and Reinforce Cultural Progress

Working Group for ESG Center Members Held Under the Chatham House Rule, sponsored by **Baker Tilly**

### Background

In March, the ESG Center launched a Working Group on Building a Sustainability Culture, focused on how to integrate sustainability into an organization’s DNA so that everyone thinks and acts with sustainability in mind. In our kick-off session, we discussed the essential elements of a sustainability culture, what’s necessary to build it, and the benefits and potential pitfalls of doing so. In the second session, we addressed who is involved in developing a sustainability culture, with a focus on the roles of the human resources, communications, and sustainability functions – as well as the roles of the board and C-Suite in driving cultural change.

In the third session, which took place on August 10, 2022, we discussed how to evaluate, measure, track, reward, and reinforce progress in building a sustainability culture.

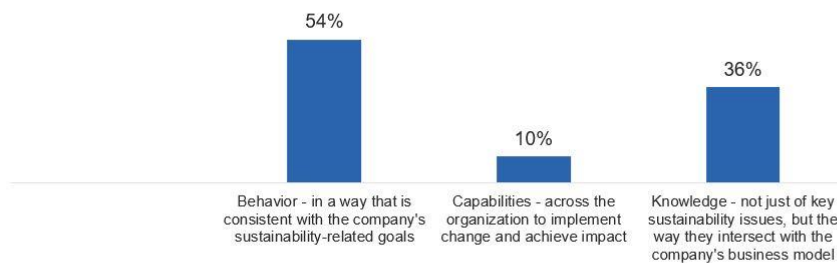
Below is a summary from our third session:

### Key Attributes of a Sustainability Culture

1. **Culture encompasses more than an organization’s “unwritten” rules – the expectations around behavior(s) that’s rewarded, punished, or tolerated. Behavior is ultimately influenced by what we know (knowledge) and capabilities (having the ability to affect change).** Companies surveyed believed behavior – acting in a way that is consistent with the company’s sustainability-related goals – is the leading element necessary to building a sustainability culture.
  - o Participants acknowledged that behavior is the most challenging of the three elements to influence, especially *changing behavior* so that it has a positive impact.

### Which of the following three elements is the most important in building a sustainability culture?

Select One



Note: 57 executives from the Working Group, Session Three participated in the live Zoom poll, The Conference Board, 2022

2. **In session one, participants discussed the essential elements, listed below, that are instrumental in building a sustainability culture. At our third session, participants expanded upon this list, noting that attributes such as *resiliency* and *adaptability* are also critical, as well as a sense of *fairness, equity, and safety*. Moreover, two key questions emerged within the context of putting these attributes into practice: *Are we clear on what we want our employees to ask/think/do differently to drive a sustainability culture? And are we making those behaviors as easy and frictionless as possible?***

- Knowledge
    - Clear mission, purpose, and values
    - Understanding of issues and alignment on urgency
  - Environment
    - Trust
    - Collaboration
    - Inclusiveness
    - Transparency
  - Attitude
    - Sense of ownership
    - Openness to new ideas
    - Stakeholder-focused
    - Forward-looking, long-term orientation
  - Support Systems
    - Board-based recognition/rewards
    - Continuous learning
    - Consistency in rewarding, punishing, and tolerating behavior
3. **The Working Group identified another fundamental way in which HR can help build a sustainability culture, beyond the three identified in Session two: retaining and attracting talent.** Consistent high levels of turnover can undermine or reset the clock on making progress in sustainability. As you think about the metrics that can help you track – whether you are on track – to having a sustainability culture – turnover and retention can serve as good indicators. And a reminder that turnover isn't just an economic cost, but an impediment to advancing the knowledge capital necessary in embedding sustainability into an organization's DNA. DE&I, together with HR, can not only help gather the necessary data, but can help in the process of cultural goals and tracking progress.

## Evaluating the State of Sustainability in your Culture

### *Case study from the University of Michigan*

Dr. John Callewaert, Integrated Assessment Program Director for the Graham Environmental Sustainability Institute and Dr. Robert Marans, Research Professor at the University of Michigan, discussed the University's [Sustainability Cultural Indicators Program](#) (SCIP), a comprehensive study, designed to assess sustainability awareness, knowledge, behaviors, actions, and attitudes across University of Michigan students, faculty, and staff over time. It is a groundbreaking effort designed to inform educational programs and campus operations. Two questionnaires (one for faculty and staff and another for students) have been administered to the University of Michigan campus community on a regular basis since Fall 2012. **The surveys yield responses from more than 3,500 students and 1,500 faculty and staff members each cycle.** More information about the initiative and insights from it follow:

- In 2012, the institution set its first set of specific sustainability goals to reach by 2025 around themes related to (1) climate action, (2) waste prevention, (3) healthy environments, and (4) community awareness.
- Community awareness is a key pillar of the program – the intent is to pursue stakeholder engagement, education, and *evaluation strategies* toward a campus-wide ethic/culture of sustainability. The [Planet Blue Ambassador program](#) has been instrumental in this effort; their progress to date, and their role in contributing and making an impact on achieving those goals.
- They define a Culture of Sustainability as: "...a culture in which individuals are aware of major environmental (and social/economic) challenges, are behaving in a sustainable way, and are committed to a sustainable lifestyle for both the present and future.

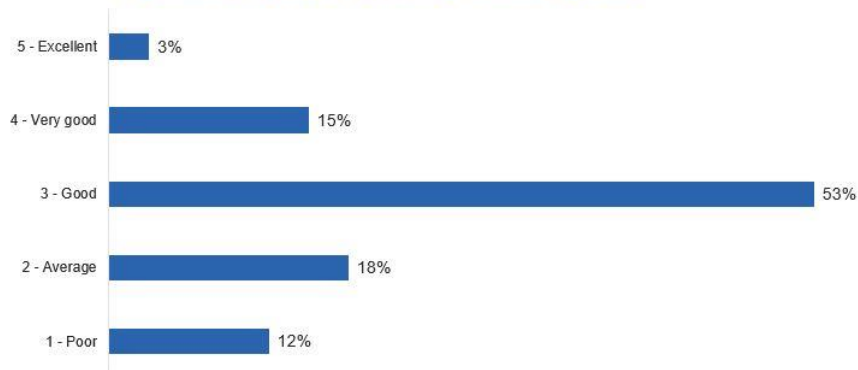
- The survey questions, which are intended to align and track with the University’s 2025 sustainability goals, evaluate *knowledge* and *behavior*. For example, the extent to which students, faculty, and staff know about the University’s recycling efforts, alternative transportation options, and how they commute from home to campus. **Past survey questions, reports, and resources are available to the public [here](#).**
  - They overcame a key challenge early on: “breaking out of the sustainability bubble.” Dr. Callewaert and Dr. Marans partnered with the Institute of Social Research for support in growing their sample size, ensuring it captured a broad swath of the student population but also the large healthcare system present on campus.
  - Engaging influential and respected leaders (outside of sustainability) helped boost survey response rates. After enlisting the support of a popular athletic coach to help promote the survey, they saw an eight percent increase in responses.
  - In reporting progress and impact, they developed a set of indices matched to their sustainability goal areas. In major areas, such as waste prevention behavior, they pulled together the statistically appropriate questions to form an index for that goal, enabling them to see progress and changes over time. [Click here to see the reporting infographic](#).
  - As this case study focuses on the University’s own operations and community, from a corporate perspective, when a company is looking at its opportunity to have a societal impact on sustainability, it may want to begin with its workforce and operations. However, the place where it is likely to have its biggest impact is on its products and services.
4. **Generally, companies are in the exploratory phase of evaluating and measuring the extent to which sustainability is embedded into their organizational culture.** As discussed in session two, building a sustainability culture has to be company-specific and grounded in a firm’s business priorities and purpose. Evaluating how well employees understand your business model is, therefore, critical before addressing two broader issues: First, ways the business can advance sustainability in the workplace, marketplace, and/or public space; and second, what needs to change in order to make the company more sustainable internally, for stakeholders, society at large, and the natural environment.
- Scaling up employees’ knowledge of the business is key if the company is going to harness its collective power to make a positive impact.
  - This may require a good “systems thinking” lens, in addition to on-going communication and education, around how the business operates and how behavior has cascading consequences along the value chain.
  - *Example:* One company has an academy for new employees which provides basic education about the business – the “business of the business.” It is embedded in training and onboarding and reinforced and communicated by leadership at Town Halls.
  - *Example:* [Deloitte launched a sustainability literacy and learning program](#) for every employee globally. It was aligned with the building of the business strategy and the company’s purpose. Sustainability literacy became the language to talk to customers, clients, vendors, and partners.
  - *Example:* [Unilever Sustainable Living Plan](#) – the business strategy to grow Unilever that was driven by their sustainability strategy; driven by every employee understanding the connection between their job to P&L goals.
5. **Surveying employees’ knowledge and awareness of specific issues is more commonplace.** For example, surveying whether they understand the company’s environmental strategy or what the company is trying to achieve in DE&I. To that end, when it comes to measuring your efforts in sustainability culture, it can help to focus on a few areas that intersect deeply with your business.

6. **WeSpire created an [ESG Employee Engagement Maturity Model](#) to evaluate where a company is related to their engagement maturity. This proprietary assessment helps determine the maturity of companies' efforts around employee engagement and their ESG initiatives.** Companies tend to fall into one of two categories: (1) they are ahead in terms of setting and making progress on ESG goals, but behind in culture and employee engagement maturity or (2) they are behind in setting ESG goals, but have a strong corporate culture and generally, engage employees. If companies are part of the second group, they can move relatively quickly in embedding sustainability into the business once ESG goals and a larger strategy is established. Importantly, however, transformational ESG engagement transcends a company's four walls. The culture you've established internally reaches your customers, supply chain, partners, and even competitors.
7. **Environmental issues and goals vary around the world. The ability to talk about social issues also varies around the world. Companies need both a global, high-level strategy for driving employee engagement, which is then localized (as global companies do with compliance programs).** Localization is not just geographic but also role based. Essentially you are building sustainability *cultures*: cultures within countries and cultures within functions that are working toward common overall goals.

### Setting Cultural Goals and Tracking Progress

8. **Under 20 percent of Working Group participants believe their organization is “excellent” or “very good” at setting cultural goals; and 30 percent believe their ability to set cultural goals is “average” or “poor.”**

**On a scale of 1 to 5, with 5 being excellent, how well do you think your organization does in setting cultural goals?**



Note: 57 executives from the Working Group, Session Three participated in the live Zoom poll, The Conference Board, 2022

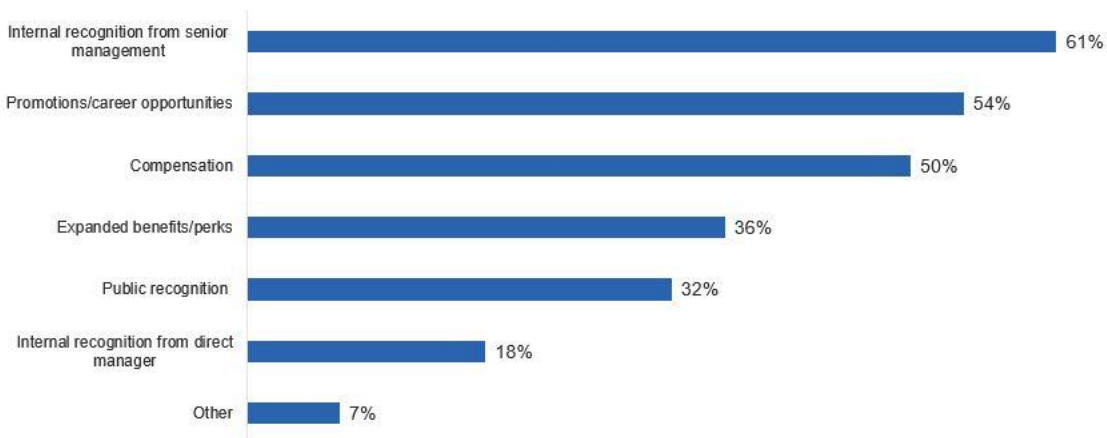
9. **Consider how you can engage employees in the goal-setting process.**
  - *Example:* One company as part of its approach to goal-setting in DEI (as part of its sustainability strategy) gave the initiative a name. “Naming and claiming” it can help set a North Star that people can identify with and galvanize around. They engaged in board-based listening sessions, assembled a cross-functional and cross-level team to build some of the goals. Additionally, they launched an education series around it and brought in well-known public policy leaders that helped to establish the “why” so that the goals they established were in placed in context of the broader environment.
10. **To measure and implement, you also need staff and resources. Initial polling of employees can be helpful, asking:**
  - Do you understand how sustainability relates to your job?
  - Do you believe there's an ethos within the company?
  - How much of an impact do you feel that you can have?

11. **While surveys are a great start, it is important to keep in mind that they are attitudinal, not behavioral. Powerful data can also be derived from looking at what employees are already doing and participating in related to the company’s ESG activities.** For example, whether and how they are volunteering, giving to charitable organizations, participating in an ERG or a sustainability education effort. Then you have the ability to evaluate whether that participation is impacting 1) employee satisfaction and referral (e.g., employee Net Promoter Score), 2) retention, and 3) performance.
12. **As part of creating a culture of “ownership,” accountability must be woven into the process.** To reduce any potential risks from any one individual leaving the organization, and to help ensure continuity, it could be helpful to have a robust understanding of the goals different business leaders have – and illuminating the ESG implications that are already baked into those goals.
  - C-suite awareness and support is critical for buy in and to help allocate responsibilities – the process of setting goals could be tied into a company’s strategic planning cycle

### Reinforcing Cultural Progress

13. **Working Group participants cited internal recognition from senior management, promotion/career opportunities, and compensation as the top three most effective ways of recognizing and rewarding progress.**
  - It is striking that the recognition from a direct manager is not as strong as an incentive here. This may reflect the fact that, at many companies, sustainability is something that is embraced more at the top of the house than throughout the organization.
  - Seeing ideas put into action is another effective way of recognizing and rewarding progress.

#### What is the most effective way of recognizing and rewarding progress?



Note: 28 executives from the Center Briefing participated in the live Zoom poll, the Conference Board, 2022

14. **Communicating progress is not just reach but also frequency.** From an internal communications standpoint, a big challenge is getting people's attention and cutting through the noise of other messages, social media, etc. Tapping into company culture and harnessing what people are passionate about and the areas where they can have an impact can make a real difference.
  - *Example:* Baker Tilly has found success by tapping into their culture. Part of their communication strategy (and company culture) is focusing on people's accomplishments, and the people behind those accomplishments. Over the last year, they rolled out an ESG strategy and have been showing the people behind this work and behind the scenes, focusing not only on their jobs, skill sets, but also their interests and passions as individuals. Their "people" focused content has gotten the most engagement and has served another important function: inspiring and motivating others as well.
15. **An "always-on" – on-going conversation that enables every employee to share their stories and ask questions can serve as an effective way of incorporating feedback.** A Slack channel or Teams channel can be the 'digital water cooler' on this topic. This approach, in combination with the structured feedback from surveys mentioned earlier, can help a build sense of community while getting both qualitative and quantitative data on whether or not you are making progress. To that end, real-life in-person feedback and conversation can also not be forgotten – you can't change culture through digital means alone.
16. **There's a natural link between tangible impact and on-going motivation.** If you are empowered to come up with ideas and the company is embracing those ideas – that is huge recognition, and it is contagious.
  - *Example:* Approaching the challenge of trying to reach people on the factory floor. One company started a learning program where employees were asked to submit ideas on how the company could gain efficiencies, save energy, use less water, etc. Employees embraced it because it wasn't often that they were asked for their input. The company tracked the ideas and those that were implemented, which led to competition among different factories.
17. **When it comes to learning and upskilling, remember that adults learn by doing.** Employees are going to have different levels of knowledge, influence, capabilities, and interest in this area. Taking a page from marketing's playbook, it could be helpful to have employee "personas" and consider the motivators and barriers that may impact those people and then develop strategies to make sure you reach them. Examples of personas include: (1) the culture carriers, (2) the responsible party, (3) the casual observer, (4) the business-focused, (5) the disinterested employee, and (6) the uninformed.