Defining employee pro-environmental, social and governance behaviors

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Abstract
Purpose. With the increasing importance of environmental, social and governance (ESG) reporting, organizations are seeking ways to improve ESG performance. One of these ways is encouraging employee behaviors that support ESG. While some research has examined employee behaviors that support specific components of ESG, such as pro-environment behavior, this research is fragmented. Thus, the purpose of this paper is to review the various ESG outcomes which employees can influence, and then propose a single scale to measure employee support for ESG, along with recommendations for future research.

Methodology. The authors reviewed ESG reports from several large, multinational companies, as well as previous research on ESG and corporate social responsibility. The authors sought to identify ESG outcomes which employees can influence, and then develop a scale based upon these areas.

Findings. The authors identify several areas within ESG which employees can influence. These include areas such as support for volunteering, employee giving campaigns, diversity and inclusion, environmental initiatives, data governance and others. Based upon these findings, the authors developed the above-mentioned scale.

Originality. While previous studies have examined employee support for specific components of ESG, this paper offers a comprehensive framework. In particular, there has been little research focused on employee support for governance behaviors, such as data stewardship.

Study implications. This paper provides a scale which can be used to measure employee support for ESG behaviors. This scale can help employers understand their employees’ level of support for ESG. In addition, it can help researchers understand whether employee support for ESG is related to organization-level outcomes, such as ESG ratings.

Defining employee pro-ESG behaviors

1. Introduction. In recent years, the importance of environmental, social and governance (ESG) performance of organizations has grown significantly (Duque-Grisales and Aguilera-Caracuel, 2019). ESG performance includes measures which show the quality of a firm’s relationships with its various stakeholders (Friede, Busch, and Bassen, 2015). This is often reflected in the firm’s efforts at corporate social responsibility (CSR). CSR includes initiatives such as reducing harm to the environment, developing human capital within and outside the firm, and practicing responsible business practices which benefit employees, customers, and other stakeholders. ESG is often construed as the organization’s efforts to report out on these CSR initiatives. For this reason, it is of particular importance to publicly traded companies, which undergo a high level of outside scrutiny.

Firms have begun to publish ESG reports, which provide metrics on their progress toward the above efforts. Metrics may include, for example, the amount of energy consumed by the firm, financial value of philanthropic donations, demographic makeup of executives and board, and percentage of employees trained on responsible customer data management. Based upon these reports, outside ratings agencies such as MSCI, Bloomberg, and Thomson Reuters provide ESG ratings of the firms. Some reports are over 100 pages and require a significant commitment of firm time and resources to write.

Because of this high cost and visibility of ESG reporting, considerable research has investigated its financial outcomes. These outcomes include firm value (Fatemi, Glaum, and Kaiser, 2020) portfolio
returns (Madhavan, Sobczyk, and Ang, 2021), and stock price reactions (Serafeim and Yoon, 2022). Reviews of the research indicate that ESG ratings are positively correlated with firm financial performance (Friede et al., 2015), so firms seek ways to improve these scores. Because of this, some research has focused on factors that drive ESG performance. Some of the studied antecedents include board makeup (Shaukat, Qiu, and Trojanowski, 2016) and firm size (Dremptetik, Klein, and Zwergel, 2020).

2. Literature Review

While considerable research has investigated macro level factors, little research has examined how employee behaviors support ESG initiatives. This is surprising, considering the role that employee performance plays in advancing firm strategy (Huselid, 1995). Some research has been conducted on employee behaviors which could impact ESG, such as volunteering (Rodell et al., 2016) employee pro-environment behavior (Afsar, Cheema, and Javed, 2017; Afsar and Umran, 2019), and employee compliance with data protection standards (Foth et al., 2012). However, these research streams have been conducted separately, without considering their combined contribution to ESG.

Given these separate research streams, it will be helpful to create a comprehensive framework for identifying the employee behaviors that contribute to ESG performance. These behaviors can be identified through a review of ESG reports. They may include, for example, areas such as employee charitable donations, support for employee diversity and inclusion practices, and speaking up when company non-compliance is witnessed. In many cases, the firm provides some formal framework for the activity. For example, the firm might set up a charitable donations program or a non-compliance hotline. However, employee participation is voluntary, and depends on individuals taking initiative and acting conscientiously.

We define employee pro-ESG behaviors as “discretionary employee actions that contribute to the environmental sustainability, social sustainability, and governance of the employer organization but are not under the control of any formal management policies or system” (Kim et al., 2017). Theoretically, employee pro-ESG behaviors resemble organizational citizenship behaviors (Smith, Organ, and Near, 1983), in that they fall outside of “formal role expectations” and “not easily governed by individual incentive schemes.”

It’s worthwhile to note what is not included in employee pro-ESG behavior. Some ESG outcomes are “top-down,” that is, they are influenced at the top management level. Rank and file employees have little to no influence over these outcomes, so they are also not employee pro-ESG behaviors. These top-down efforts include, for example:

- Where to source energy to power the firm’s facilities
- Incorporating sustainable materials into product design
- Labor policies based upon human rights
- Offering mental health support for employees

By using the term “discretionary,” we argue that employee pro-ESG behavior should not include activities that are part of normal business activity. For example, when a banker provides a loan in a low-income area, this may bring benefits to society, and is often included in bank ESG reports. However, the loan is still part of that banker’s job description and part of the bank’s normal course of business. Thus, it should not be considered employee pro-ESG behavior.

As noted above, several of the concepts that fall under employee pro-ESG behavior have been studied previously. These include concepts such as pro-environment behavior, volunteering, and compliance. In this paper, we will attempt to bring these concepts together, while adding others, into a single concept focused on employee behaviors which support ESG in one’s organization. We will conduct a review of ESG reports from a list of large global companies (Table 1.), to identify activities valued by employers and ratings agencies. We will consider which of these activities are at least partly under employee control. We will also consider how some of these concepts have been measured previously, and which key factors they influence. Finally, we will propose a scale for measuring pro-ESG behavior, along with recommendations on next directions for research.
Employee pro-environment behavior. The first major component of pro-ESG behavior is pro-environment behavior. Employee pro-environment behavior has been defined as “discretionary employee actions that contribute to the environmental sustainability of the employer organization but are not under the control of any formal environmental management policies or system” (Kim et al., 2017). ESG reports include a number of environmental outcomes that may be under employee control, if the employee works onsite. These include outcomes such as kilowatt-hours used, amount of water used, and amount of material recycled. The assumption is that employees can choose whether to turn lights off, conserve their water usage, and place materials in recycling bins. Research has indicated that employee pro-environment behavior is related to firm environmental performance (Channa et al., 2021).

In the research on employee pro-environment behavior, measures assume that employees work onsite in an office environment. For example, a scale provided by Roberston and Barling (2013) contains items such as “I print double-sided whenever possible,” “I turn lights off when not in use,” and “I put compostable items in the compost bin.” As employees begin to work from home in greater numbers, these measures may not be as relevant for certain employees. Also, organizations have trended toward automating features such as double-sided copying (when photocopiers are used at all) and sensors which turn off lights after people leave a room. Thus, we may be measuring behaviors which the employee connot control, and we may be neglecting behaviors which are of vital importance to organizations.

If employees are working offsite, their work-related pro-environmental behavior may also become melded with their pro-social behavior. For example, employees may participate in beach cleanups or tree plantings, which support both the environment and the community. The employee logs this activity with their employer, who then aggregates them in the ESG report. Given that employee pro-environment behavior can vary significantly, depending on the work setting, more general measures of pro-environment behavior may be appropriate.

Employee pro-social behavior. Our review of ESG reports indicates that employee pro-social behavior typically falls into two categories: 1) support for human capital and 2) employee charitable donations (often referred to as “employee giving”). Regarding human capital, a key area of focus is diversity and inclusion. For example, ESG reports may reveal what percentage of managers, professionals and individual contributors are women or from a traditionally underrepresented minority. Reports may also reveal internal involvement in multiracial recruitment strategies and employee resource groups (ERG’s). ERG’s provide support and networking opportunities for traditionally underrepresented groups. For example, Disney’s ESG report boasts over 90 ERGs’ worldwide, and notes that over 500 employees have served as Belonging Advocates to help foster inclusion in the workplace. Employees may also engage in training opportunities to learn more about diversity and inclusion (Weithoff, 2004). These are areas that most employees can voluntarily support. For example, a hiring manager has the discretion to seek out a diverse slate of candidates for an open position. An individual contributor has the discretion to attend an event presented by an ERG.
Another set of pro-social behaviors includes activities such as employee charitable giving and volunteering. Unlike the above human capital examples, these activities are focused outside the organization. Research has found that employee volunteering is associated with improved employee attitudes and performance (Rodell et al., 2016), and can aid with employee retention (Jones and Willness, 2013). As with employee giving, firms often identify specific beneficiaries for volunteering, and encourage employees to donate their time. However, participation is optional. For example, Lloyds of London employees may volunteer to plant trees for the Woodland Trust or mentor low-income students through the Lloyds Scholars Program. Employee volunteer hours are often aggregated in the ESG report. Disney noted that employees donated 340,000 hours in 2021 to the Disney VolunteerEARS efforts, such as supporting pediatric patients, providing relief to victims of natural disasters, and helping underserved children prepare to return to school each Fall.

Charitable giving campaigns give employees the opportunity to contribute to nonprofit organizations, typically via deductions from payroll (Osili, Hirt, and Raghavan, 2011). While the employer usually provides a list of beneficiary organizations, the employee is free to choose whom to donate to, and whether to donate at all. Within the realm of ESG, it’s important to distinguish between donations provided by the firm itself vs. those which are discretionarily provided by employees. This can be difficult to disentangle in an ESG report. For example, Fifth Third Bank’s ESG report notes that in 2020, “employees and the Fifth Third Foundation” combined to raise $5 million for the United Way philanthropy but does not break out how much each of these two groups donated. The report does indicate that the Young Professionals ERG organized a food box drive for a local community shelter, but it does not provide the dollar value of those donations. Clarifying how much money comes from employees is an opportunity for organizations as they seek to improve ESG reporting.

Employee pro-governance behavior. The final area of employee pro-ESG behavior includes activities that contribute to the sound governance of the organization. This may include, for example, effective stewardship of firm, employee, and customer information. It may also include identifying internal risks and non-compliance issues, including whistleblowing. Most previous research has focused on employee pro-CSR behaviors, which does not necessarily include governance. We argue that pro-governance behaviors are a worthwhile area of study because these employers wish to see them from employees, and because they are within employee control, despite not being considered a part of the enumerated duties.

A key governance area where employees have influence is concern for consumer wellbeing. In ESG reports, this can vary according to industry. In a financial services organization, this involves ensuring that customers fully understand products and are not pressured into purchasing unneeded services. In food and manufacturing industries, it involves producing products that are healthful and safe. Tourism and hospitality firms are particularly interested in fostering employee behavior that keeps customers physically safe and hygienic. Relatedly, research has examined customer safety in areas such as tourism and retail, especially in the wake of the COVID pandemic (Park and Lehto, 2021). Other research has examined customers’ perceived safety of financial transactions (Belás, Korauš, and Gabčová, 2015). Our review shows a dearth of research focused on understanding employee motivation to look out for customer wellbeing.

While top management policy likely has a significant influence over customer wellbeing, there are areas that individual employees can control. For example, financial services firms often require all employees to take training in fair customer treatment. This is true even for employees who are non-customer-facing, as even support staff can influence risk outcomes that affect the customer.

Another governance area is sound data management. This can include data related to customers, employees, and third parties such as vendors. Encouraging employee compliance with data management policy has become essential, as information security issues often result from employee behavior (Hu et al., 2012). This area of behavior has been described as “effortful security behavior” and includes discretionary employee actions, such as taking the time to create a more complex password (Xu and Guo, 2019). ESG reports track employee metrics such as the percentage of people who have completed data compliance trainings.

ESG reports may also provide information on programs focused on identifying internal issues of risk and non-compliance. From a research perspective, this issue has been investigated within the frameworks...
of employee voice, which is defined as “promotive behavior that emphasizes expression of constructive challenge intended to improve rather than merely criticize” (Van Dyne and LePine, 1998). Another relevant area is employee whistleblowing, which consists of employees voluntarily reporting suspected instances of internal fraud or other potentially illegal activity (Lowe, Pope, and Samuels, 2015). Firms seek these voluntary behaviors from employees because they help reduce instances of fraud and legal risk (ACFE, 2012).

As an example, Lloyd’s of London’s ESG report notes its Speak Up program, in which employees are encouraged to submit concerns related to topics such as employee safety, bullying and harassment. The report provides metrics on the number of concerns submitted and the percentage of concerns that led to investigations. Toyota also provides information on its Speak Up hotline, with detailed information on the number and content of the issues submitted. Employee engagement in resources such as Speak Up provide another instance of employee pro-ESG behavior, as they are voluntary and contribute to the quality of the firm’s governance.

3. Research Methodology and Results
After reviewing the above-mentioned research and ESG reports, we developed a scale to measure employee pro-ESG behaviors (Table 2). This scale covers behaviors related to the environment (reducing energy and recycling), pro-social outcomes (supporting diversity and inclusion, volunteering and employee giving), and governance (sound data management, looking out for the customer’s best interest and speaking up in cases of firm non-compliance). The pro-environment items are more general than those used in previous research (Robertson and Barling, 2013). Other activities are worded so that the respondent does not need to be a people leader. For example, the diversity and inclusion item simply asks whether the employee supports hiring persons from diverse backgrounds; this question can be answered by a people leader or individual contributor.

Table 2. Scale of employee pro-ESG behaviors (1=Strongly disagree; 5=Strongly agree)
<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>I support my organization’s efforts to improve the environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>At work, I practice habits to reduce energy use when possible.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>At work, I practice sound data management.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>I participate in activities to support diversity and inclusion at my organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I support hiring people from diverse backgrounds at work.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>I participate in volunteer activities on behalf of my organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>I donate money to charities on behalf of my organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>At work, I practice sound data management.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>I look out for the best interest of the customer.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I make every effort to ensure that our products and services are safe for our customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>At work, if I see something that is a violation of policy, I speak up and let a manager know about it.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I support my organization’s environmental, social, and governance initiatives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
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4. Discussion, Limitations and Future Research
In this paper, we have offered a framework for identifying and measuring employee pro-ESG behaviors. We have argued that a general framework is needed to understand employee behaviors that impact ESG performance. After reviewing ESG reports and research, we have provided specific areas that employees can influence, along with a proposed scale intended to measure those behaviors.

The first step in research is to validate the proposed scale. It is recommended that the scale be distributed to persons from a variety of industries. This is because certain industries may focus on some aspects more than others. For example, a financial services industry may focus more heavily on sound data management, while an entertainment-focused organization may be more focused on customer safety and fostering goodwill with the public through volunteering.

After the scale has been validated, future research could consider a model of pro-ESG behaviors. Such a model could use a behavioral intention framework, such as the Theory of Planned Behavior (TOPB) (Ajzen, 1991). The TOPB has effectively predicted employee support for a variety of organizational practices and initiatives, such as diversity training (Weithoff, 2004), the use of pay-for-performance...
(Wagner and Westaby, 2020), and structural interviews (Van der Zee, Bakker, and Bakker, 2002). This model could also include antecedents such as openness to experience and conscientiousness (Costa and McRae, 1988) and concern for firm reputation (Nieken and Sliwka, 2015). Another possible antecedent is employees’ concern for the wellbeing of their customers and other stakeholders. Significant research has been conducted on customer safety (Belás et al., 2015; Park and Lehto, 2021), but little is known about employees’ motivations to act in the best interests of those customers.

Future research could also consider the outcomes of employee pro-ESG behaviors. A first area to explore is whether they are related to organization-level ESG ratings and financial performance (Fried et al., 2015). Other areas worth examining include employees’ perceptions of their firm’s external prestige (Kim, Lee, Lee, and Kim, 2010) and employee engagement (Khan, 1990).

Another consideration is to examine ESG ratings criteria for areas that are under employee control. As noted earlier, agencies such as MSCI, Bloomberg, S and P Global and Moody’s provide ratings of firms’ ESG performance. Criteria from these agencies can also be examined to uncover more areas within employees’ influence. Standards such as ISO 26000, while focused specifically on CSR, may also provide additional behaviors to examine.

5. Conclusion
We extend the research by reviewing ESG reports and previous studies to identify outcomes which employees can influence. Our review showed that employees can impact ESG through a range of areas, such as volunteering, giving campaigns, diversity and inclusion, environmental initiatives, data governance and others. Based upon these findings, we offer a scale which is intended to measure governance support for ESG behaviors. Further research is needed to validate the scale. If validated, the scale can then be used to understand antecedents and outcomes of employee support.

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