

Chapter 4

Green Credibility: Unlocking Employee Engagement Through Environmental Responsibility

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ABSTRACT

Today, the adoption of environmental policies has gained significance in the corporate scenario not only for sustainability but to also improve organizational dynamics. These environmental policies are discussed in terms of their effects on the overall performance, satisfaction, and general well-being of the employees, thus forming the company culture and behavior. Another objective of this book chapter is to come up with a developmental model, other than what exists so far, which will study the impact of environmental policies using Organizational image as a moderator. Also, including how employee motivation, organizational communication, and leadership can create an enabling environment for sustainable development. This book chapter aims at offering useful insights and recommendations to companies keen to exploit environmental efforts not only as a means of complying with the requirement but also as a stimulant for a motivated and engaged workforce in the modern corporate climate.

1. INTRODUCTION

Corporate responsibility is one aspect of new company environments that have grown beyond mere financial performance to include environmental care. Powerful environmental policies have figured as a central thrust of corporate strategies since companies increasingly realize the importance of sustainability. Over a four-year period (2019–2023), companies with robust environmental policies reported increases in ROE and ROA of 7–10%. A study of 792 companies in environmentally sensitive sectors revealed that installing ESG systems led to a 15% boost in staff productivity and a 12% reduction in turnover rates (Tang).

Furthermore, companies that fund sustainability projects have an average 20% higher market value than their counterparts with less of an environmental focus. Additionally, according to employee surveys, 75% of workers favour businesses that have a clear environmental commitment; this translates into 30% higher engagement ratings and 20% lower absenteeism (Tang).

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Between 2022 and 2023, the proportion of executives considering sustainability as a valuable investment increased threefold. Compared to one-third in 2022, more over half of organisations plan to boost their investments in sustainability. A rising understanding of the return on investment (ROI) in climate technologies and sustainable behaviours is a major factor driving this change. (“World Economic Forum”)

A growing number of compelling facts demonstrate how Environmental, Social, and Governance (ESG) activities affect company performance. For instance, according to 85% of asset managers, ESG factors are given high priority in their companies, and 91% of business executives say it is their duty to handle ESG-related concerns (Key ESG). Furthermore, 82% of investors think that a company's strategy should include ESG, and 66% of them are more confident when a C-suite executive is in charge of handling these concerns. (“2024 ESG Statistics: Insights for Business Leaders”)

A new increasingly important area of study is the interaction of environmental policies with staff motivation. Put into practice in an effective way, environmental policies can be a significant motivator for employees, thus linking them to the values and purpose of the business. This might mean improved staff satisfaction, engagement, and overall performance in the long run. This is a very complex interaction and encompasses many elements that influence the interaction, including types of rules, corporate culture, and communication techniques.

This book chapter seeks to explore this complex relationship using a holistic approach in which firm environmental policies influence employee engagement. It will discuss what ways pro environment policies attract employees. Important themes include the role of management techniques and leadership, the role of environmental policy in shaping organizational culture, and employee turnover and involvement consequences.

A complicated and multidimensional notion, employee motivation consists in both internal and external elements that inspire people to reach particular objectives, interact with their job, and significantly help their companies. Many studies have found the connection between employee motivation and other organizational results including job satisfaction, staff retention, and productivity (Deci & Ryan, 2000). In the framework of environmental sustainability, workers not only worry about the social and financial objectives of their businesses but also find great inspiration in their organization's dedication to environmental problems (Ramus & Steger, 2000).

1.1 The Rise of Corporate Environmental Policies (CEPs)

Corporate environmental policies are the operational and strategic systems used by companies to lower their environmental impact and advance sustainability. Usually covering a wide spectrum of activities, including energy efficiency, waste reduction, recycling, water conservation, pollution control, and the acceptance of renewable energy sources, by using these policies businesses might also promote environmental causes, participate in corporate social responsibility (CSR) projects, or pursue green certifications such as ISO 14001. Many companies have included environmental policies into their main business plans during the past two decades since they understand that long-term sustainability is necessary for both brand competitiveness and economic survival (Epstein, 2008).

Adoption of CEPs results from several elements, including company ethics, government rules, market pressures, and stakeholder expectations. Simultaneously, customers and investors are choosing businesses that show environmental responsibility more and more; this has resulted in a growth in green marketing and environmentally friendly branding (Porter & Kramer, 2006).

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