

Employees and sustainability: the role of incentives

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Received 26 September 2014
Revised 25 December 2014
9 October 2015
Accepted 30 November 2015

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Abstract

Purpose – Organizational sustainability has become a priority on many corporate agendas. How to integrate sustainability efforts throughout the organization, however, remains a challenge. The purpose of this paper is to examine two factors that potentially enhance incentive effects on employee engagement in environmental objectives: explicit organizational values for sustainability and the performance objective's complementarity with incented financial objectives.

Design/methodology/approach – The authors employed a quasi-experimental design in which participants were randomly assigned to one of four conditions, including a status quo condition against which the treatments were contrasted. Participants ($n = 400$) were comprised of a cross-section of US employees from a wide range of occupations and industries. A *post hoc* qualitative analysis provided additional insights.

Findings – Incentive effects were enhanced (i.e. preference for the environmental objective was significantly higher) when the environmental project offered complementary benefits for financial objectives, but not when organization values emphasized sustainability. An entrenched status quo bias for financial performance was discerned among a subset of the sample.

Research limitations/implications – Management scholars must pay close attention to the role of implicit norms for financial performance when investigating employee engagement in organizational sustainability efforts. From an applied perspective, framing sustainability objectives to emphasize financial benefits consistent with a financial mission may maximize employee engagement.

Originality/value – This study contributes to understanding of organizational sustainability efforts at the individual employee level of analysis, a conspicuously small part of the organizational research surrounding this topic.

Keywords Performance management, Human resource strategies, Incentives

Paper type Research paper



Environmental sustainability is now a priority for many organizations, in keeping with public interest in firm performance beyond economic outcomes (Savitz and Weber, 2006). An annual investigation by the Boston Consulting Group and *MIT Sloan Management Review* of how organizations handle sustainability efforts reveals that it has become a permanent element of the corporate agenda (Kiron *et al.*, 2013). Firms go beyond regulatory compliance to pursue environmental sustainability for a variety of strategic business reasons such as conformance to stakeholder expectations, social branding and potential cost benefits (see Hockerts, 2014), and for non-instrumental reasons such as leader values (Miska *et al.*, 2014).

While sustainability has clearly been embraced at the firm level, whether the traction trickles throughout the organization remains a question. For instance, a national survey of US companies found those leading the organization (boards of directors, CEOs and executive-level employees) were much more likely than manager-level and non-managerial employees to view sustainability to be important for business (Society for Human Resource Management, BSR, and Aurosoorya, 2011). Recent popular press even suggests a psychological backlash among individuals against corporate environmental messages (Westervelt, 2014).

There are practical reasons why non-executive employee attitudes toward corporate sustainability may differ from that of the organization's leaders. These employees are often not exposed to corporate discourse regarding the goals and benefits of sustainability (Haugh and Talwar, 2010). Also, they are likely to find the long-term goals of sustainability at odds with the short-term metrics on which they are evaluated. In fact, scholars have highlighted the disconnect between organizational values of sustainability and human resource practices (Florea *et al.*, 2013). It appears as though engagement of non-executive employees in organizational sustainability efforts requires performance management systems that specifically encourage their support (Perrini and Tencati, 2006; Mackenzie, 2007; Epstein *et al.*, 2010; Eccles *et al.*, 2012).

However, experimental findings suggest that employee support for sustainability initiatives is far from assured even when individual financial incentives are enacted (Merriman and Sen, 2012). Building on these findings, we examine two factors that potentially enhance incentive effects on employee engagement in environmental objectives: explicit organizational values for sustainability; and the environmental performance objective's complementarity with (i.e. added benefit for) incented financial objectives. Experimental scenarios were designed to vary these contextual factors while presenting participants with a choice of projects where financial and environmental performance objectives are otherwise equivalent in terms of risk, capital expense and performance-based compensation.

This study contributes to an understanding of organizational sustainability efforts at the individual employee level of analysis, a conspicuously small part of the organizational research surrounding this topic (Aguinis and Glavis, 2013). The majority of research on sustainability to date has focussed on the macro level of analysis (Morgeson *et al.*, 2013), and has primarily examined organizational sustainability as a function of executives and governance boards rather than non-executive employees (e.g. Berrone and Gomez-Mejia, 2009; Coombs and Gilley, 2005; Deckop *et al.*, 2006). Additionally, the studies that have considered integration of sustainability throughout the organization typically consist of case examples and qualitative analyses (e.g. Bansal, 2003; Mirvis, 2012; Hockerts, 2014; Whiteman and Cooper, 2000), as is common and appropriate with uncharted phenomena. The cross-sectional, empirical design of the present study will contribute generalizability beyond case findings, an apt next step in building this emerging research stream.

Conceptual development and hypotheses

Employee preference for environmental work objectives must be examined within the broader work context rather than in isolation since “green” goals represent only one of many goals toward which employees may be working (Unsworth *et al.*, 2013). Consequently, successful organizational implementation of sustainability initiatives are subject to the trade-off considerations made by employees in their evaluation of personal utility in deciding which goals to pursue at any given time, an area which has not yet received much explicit attention in research on corporate sustainability (Hahn *et al.*, 2010). Thus our conceptualization (and ultimately our experimental design) starts with financial and environmental performance objectives relevant to the employee level of performance and objectively equal in terms of personal benefit. We then consider how the perceived personal utility of pursuing the environmental objective may be enhanced. Whereas a superior financial incentive is one obvious form of premium, emerging sustainability research suggests task complementarity (e.g. when environmental objectives also benefit financial objectives) and alignment with organizational values (e.g. values that emphasize sustainability) as two potentially more cost-effective – possibly more effective overall – means. We discuss the theoretical lens and supporting research for each perspective below.

Agency theoretic perspective

Agency theory (Eisenhardt, 1989; Jensen and Meckling, 1976) contends that organizations can be analyzed in terms of conflicts of interest between principals and agents. The framework is commonly applied to the relationship between firm owners or governance entities (principals) and CEOs (agents), and similarly applied to exchange relationships at lower levels in the organizational hierarchy. The basis of agency theory as it pertains to the present study is that agents (the non-executive employees in the current context) are self-interested and may attempt to maximize their interests at the expense of the organization when interests diverge. To counter this tendency, an organization may use incentive schemes to align employee interests with organizational objectives.

An important extension of classic agency theory is the multi-task agency model (Holmstrom and Milgrom, 1991) where the agent has to perform separate and distinct actions in order to fulfill multiple objectives. Assigning employees multiple distinct tasks that compete for their attention (e.g. reducing cost of production and reducing environmental impact) leads to the question of effort allocation on the part of the employee. Similar to classic agency theory, effort allocation is presumed to follow the maximization of self-interest. Hence the objective of the organization is to design an incentive scheme that will induce employees toward optimum allocation of effort across the multiple tasks in question. Whereas the single-task agency framework focusses on the overarching trade-off between risk and return, the multi-task agency framework extends attention to the potential trade-off between multiple performance objectives based on the power (i.e. perceived value) of their corresponding incentives (Baker *et al.*, 2002; Sinclair-Desgagne, 1999).

Thus in the case of multiple performance objectives, their interrelation must be taken into consideration. Interrelations among the actions can be either complementary or substitutive in nature. When action along one performance dimension reduces the cost of action or enhances the outcome along another performance dimension, they are complementary in nature. For example, adopting energy efficient lighting in a hotel may reduce the cost of operations. On the other hand, if actions needed for one

performance dimension increases the cost of action or reduces the performance along another performance dimension, they are substitutes (Dikolli *et al.*, 2009). For example, retooling a manufacturing plant to reduce carbon emissions may reduce the profit margin, at least in the short run.

From an employee perspective, if their own performance evaluations and pay are at stake, the benefits of complementarity actions among a set of performance objectives as described above also enhances their own personal utility. For instance, if employees are charged with reducing costs and reducing environmental impact, the hotel example above of energy efficient lighting is a project that would garner a favorable performance evaluation on both performance dimensions. Since the number of workplace projects that employees can complete is finite, projects that provide such complementary benefits should rationally be preferred over projects that lack complementary benefits. However, an experimental study aimed at investigating this conjecture for mid-managers found only weak support, suggesting that employee utility calculations in this area may require explicit rather than implicit communication of complementary benefits (Merriman and Sen, 2012). Taken together, the following prediction stems from the multi-task agency perspective:

- H1. Engagement in an environmental performance objective is greater when it is explicitly complementary vs substitutive (the status quo condition) to financial performance objectives, *ceteris paribus*.

Organizational values perspective

Organizational core values are often explicitly communicated to employees (e.g. via statements of corporate vision, mission and values) and thereby represent a primary way in which social norms for organizational behavior are created, influenced and reinforced (Feldman, 1984). Adherence to social norms carries implicit instrumental value (Coleman, 1990; Hechter and Kanazawa, 1997). For instance, following social norms carries the expectation of legitimization, while violating social norms carries the expectation of sanctions. The “legitimization” conveyed to employees by following organizational social norms has implications for their intra-organizational career advancement (Schein, 1971). This economically rational viewpoint is in keeping with the fundamental assumptions of the agency theoretic perspective. It also corresponds with the contention that a sustainability program cannot succeed unless it is consistent with, and embedded within, the organization’s culture (Baumgartner, 2009), of which organizational values is a primary component. Further, research findings demonstrate that when formal organizational programs are decoupled from core organizational activities (and presumably the core organizational values implied by such) such programs hold little credence for employees (MacLean and Behnam, 2010).

Employee skepticism of organizational programs that are decoupled from organizational values may be particularly justified in regards to sustainability initiatives since organizational and leader values have inductively emerged as determinants of the organization’s adoption of environmental initiatives (Bansal and Roth, 2000; Miska *et al.*, 2014) and the organization’s response to environmental issues championed by employees (Bansal, 2003). Based on descriptive accounts of in depth case studies, environmental issues that did not fit organizational values were unlikely to be endorsed by organizational leadership (Bansal, 2003). While these studies focussed on the organization’s engagement in sustainability, we would contend that the personally instrumental consequences of organizational values would translate to

employees and thereby hold implications for employee engagement in sustainability. Indeed, prior findings suggest employees that perceive a strong organizational commitment to the environment demonstrate greater engagement in environmental initiatives (Ramus and Steger, 2000). Explicitly conveyed social norms have also proven influential in directing individual sustainability behaviors outside of organizations, particularly when the norm is derived from a proximal source (e.g. Cialdini, 2006; Goldstein *et al.*, 2008).

In the absence of stated organizational values, individuals have been found to rely on their own perceptions of social norms when choosing whether to support organizational sustainability initiatives (Merriman and Sen, 2012). Merriman and Sen presented scenarios that manipulated performance incentives between an environmental and financial project, but were devoid of cues for organizational values. Based on a *post hoc* analysis, incentive effects alone could not explain project choice for groups that emphasized either intangible benefits for the environment or financial returns for the company as guiding social norms. At the same time, incentives were predictably influential for groups that did not emphasize a particular social norm in their decision making. Hence, we suggest explicitly stated organizational values would focus employees more consistently on the same social norm and reduce individual differences in whether a social norm is considered when evaluating organizational performance objectives for engagement:

H2. Engagement in an environmental performance objective is greater when explicit organizational values emphasize sustainability vs cost savings (the status quo condition), *ceteris paribus*.

Finally, to assess the potential for positive synergistic effects, we also consider the joint effect of the two factors of interest:

H3. Engagement in an environmental performance objective is greater when complementarity to financial performance and organizational sustainability values are both explicit, vs when a substitutive relation with financial performance and organizational values focussed on cost savings are both explicit (the status quo condition), *ceteris paribus*.

Methods

Sample

Participants for the study ($n = 400$) were working adults solicited through a research panel comprised of a wide cross-section of the US population. This cross-sectional sampling approach was taken to enhance generalizability of the results by increasing the variation of occupations, organizations and industries represented. Detailed demographic information is provided in Table I. The large majority of respondents (75 percent) had over ten years work experience. The likelihood of significant duplication in employing organizations represented was minimal due to the widespread national sample pool. Predominant occupations were management, professional, administrative and service occupations. Prevailing industries were healthcare, manufacturing and retail. Gender was roughly evenly distributed (53 percent male). Age predominately ranged from 25 to 54 years without disproportionate clustering within any single age group. The experimental scenario and survey questions were administered online. Participant engagement and quality of responses was assured by internal controls including the use of digital fingerprinting and monitoring of survey-taking time and response patterns to remove non-serious participants.

Characteristic	(n = 400)	Percent
<i>Industry</i>		
Computer hardware/software/internet solutions	14	4
Education	36	9
Engineering/architecture	11	3
Finance/banking/real estate/insurance	28	8
Government	24	6
Healthcare/medical/pharmaceutical	51	13
Manufacturing	45	11
Media/publishing/public relations	9	2
Retail	39	10
Telecommunications/utilities	8	2
Other	135	34
<i>Total work experience</i>		
< 1 year	2	1
1-2 years	22	6
3-5 years	28	7
6-10 years	47	12
> 10 years	301	75
<i>Occupation</i>		
Administrative/clerical	64	16
Management	95	24
Professional (non-management)	74	19
Sales	26	7
Service	42	11
Technical	28	7
Other	71	18
<i>Gender</i>		
Male	212	53
Female	188	47
<i>Age</i>		
18-24	27	7
25-34	124	31
35-44	91	23
45-54	86	22
55-64	43	11
> 64	29	7

Table I.
Sample
demographics

Scenario

The scenario required respondents, in their role as an operational manager, to choose two of three projects to fund. Each project was estimated to cost the same amount (\$100,000) and project development funds were limited (\$200,000) in order to compel choice. Two of the projects represented standard cost-savings objectives, one for redesigning the production process and the other for redesigning the inventory system. The third project presented a sustainability objective to reduce environmental impact through redesigning the product packaging. The stated outcomes for the cost-savings projects were strictly financial (\$200,000 in cost savings for each), whereas the stated outcome for the environmental project emphasized a non-financial outcome related to environmental impact (30 percent reduction in carbon footprint). All three projects were

stated as equally likely to succeed. A \$20,000 pay incentive was attached to each of the three projects, making each objectively equal in personal utility.

Manipulations

Scenario conditions were manipulated to underscore the presence of complementarity between the environmental and cost-savings objectives. The status quo (i.e. control condition) described the environmental project's outcome strictly in terms of a reduction in carbon footprint (i.e. as a substitute for financial performance). To activate the complementary condition, the environmental project's outcome was supplemented to include \$50,000 in operating cost savings and a corresponding additional \$5,000 pay incentive, making the complementary benefit personally salient.

Scenario conditions were also manipulated to underscore alignment between core organizational values and the environmental project. This entailed two alternative fictional companies. The status quo (i.e. control condition) described the company as CostLow, a manufacturing company focussed on cost savings. Thus the status quo represents conventional financial values that are not specifically aligned with the given environmental objective, and reduces the noise associated with inferred values that an absence of explicit organizational values altogether would invoke. The company in the closely aligned values condition was described as Organica, a producer of organic goods for everyday use with a focus on sustainability.

In sum, four distinct scenarios were created, including the status quo (i.e. control) condition, in order to determine the individual and joint effects of two factors on project choice: the presence of complementarity between the environmental and cost-savings objectives; and the alignment between organizational values and the environmental project via an explicit emphasis on sustainability values. Participants were randomly assigned to one of the four conditions. Table II provides a summary of the experimental design and the planned contrast of the status quo group with each of the three treatment groups.

Controls

As a manipulation check for the experimental conditions, upon completion of the experimental exercise participants were asked their opinion of whether "this company is highly concerned with the environment" and "[...] profits" on a scale of 1 (strongly disagree) to 5 (strongly agree). Controls include years of work experience and sex, both commonly specified in studies of incented work performance, and extrinsic work value orientation. Both demographic controls are also particularly relevant to employee engagement in sustainability efforts since prior research shows employee attitudes toward this area of organizational performance can vary by age, of which work experience may serve as a rough proxy, and gender (van der Wal and Huberts, 2008; Fukukawa *et al.*, 2007). Extrinsic work value orientation is a trait-like characteristic that has implications for individual sensitivity toward, and response to, extrinsic characteristics of the work environment such as performance pay and expressed organizational values. It was assessed using a 12-item measure with a scale of 1 (strongly disagree) to 5 (strongly agree), adapted from the work preference inventory for assessing motivational orientation (Amabile *et al.*, 1994). The calculated scale reliability (Cronbach's α) for this measure was 0.85.

Results

Table III contains descriptive statistics and correlations of study variables. As a first step, the efficacy of the experimental manipulation of organizational values

Status Quo Group (Control Condition)

- Organization values: *Cost Low*
- organization emphasizes cost-savings
- Performance objectives: **Substitute**
- no explicit overlap between environmental and cost-savings projects

Two Factors Posed to Increase Choice of Environmental (“Green”) Project

***H1* Treatment**
“Green” Offers Explicit Financial Benefit

- Organization values: *Cost Low*
- organization emphasizes cost-savings
- Performance objectives: **Complement**
- environmental project explicitly contributes to cost-savings project and, in turn, triggers a larger pay incentive

***H2* Treatment**
“Green” Organization Values

- Organization values: ***Organica***
- organization emphasizes sustainability
- Performance objectives: **Substitute**
- no explicit overlap between environmental and cost-savings projects

Joint Effect of Two Factors on Choice of Environmental (“Green”) Project

***H3* Treatment**
**“Green” Offers Explicit Financial Benefit
and Close Alignment with Organization Values**

- Organization values: ***Organica***
- organization emphasizes sustainability
- Performance objectives: **Complement**
- environmental project explicitly contributes to cost-savings project and, in turn, triggers a larger pay incentive

Notes: The status quo group (control condition) was contrasted with each of the three treatment groups. The manipulated factor(s) in each treatment group is heavily bolded and underlined

Table II.
Experimental design
and planned
contrasts

was investigated. The overall distribution of project choice was then reviewed as a preliminary evaluation of support for the posed hypotheses. Finally, hypotheses were formally tested using binary logistic regression.

Manipulation checks

A one-way ANCOVA was conducted to examine the manipulation checks for organizational values. Controlling for total work experience, sex, and extrinsic value orientation, perceived organizational support for the environment was significantly related to the experimental conditions ($F = 3.43, p = 0.02$). Pairwise comparison of means showed that perceived organizational concern for the environment was significantly higher

Table III.
Descriptive statistics
and correlations

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5
1. Choice of environmental project (0 = no invest, 1 = invest)	0.69	0.46					
2. Perceived organizational concern for environment	3.70	0.94	0.28***				
3. Perceived organizational concern for profit	3.57	0.89	-0.14**	0.13*			
4. Total work experience (categorical)	4.56	0.88	0.21***	-0.01	-0.03		
5. Sex (0 = male, 1 = female)	0.47	0.50	0.14**	0.03	0.02	0.06	
6. Extrinsic value orientation	3.36	0.62	-0.16**	0.26***	0.38***	-0.29***	-0.05

Notes: *n* = 400. **p* < 0.05; ***p* < 0.01; ****p* < 0.001

(*p* < 0.05) for the conditions which explicitly stated organizational values for sustainability, vs the status quo condition which consisted of a substitute project and organizational values for cost savings. Thus the manipulation of sustainability values was effective.

Perceived organizational concern for profits was not significantly related to the experimental conditions (*F* = 1.40, *p* = 0.24). In other words, respondents did not perceive a company with a cost-savings emphasis as more concerned with profits than a company with a sustainability emphasis (overall *M* = 3.56). This suggests, perhaps unsurprisingly, that financial concerns are an assumed priority of for-profit organizations regardless of the explicit values it conveys. It may be reasonable for financial objectives to be perceived as a status quo in for-profit organizations since historically this has been their primary business objective. We will explore the notion further in *post hoc* consideration of a status quo bias for financial objectives.

Distribution of project choice

A crosstabs analysis of project choice by condition was conducted to preliminarily evaluate the overall distribution of project choice between financial and environmental performance objectives, prior to consideration of control variables. Recall that each participant was constrained to choosing two of the three projects in order to position cost savings and sustainability as substitute objectives. Two of the projects represented financial cost-savings performance objectives and one of the objectives represented an environmental performance objective. This choice structure implicitly required respondents to pair a cost-savings objective with either a second cost-savings objective or a sustainability objective. The results of the crosstabs analysis (see Table IV)

Project complementarity	Experimental condition		Project choice	
	Organizational values	<i>n</i>	Financial + financial	Financial + environment
<i>Substitute</i>	Cost savings	100	35	30
	Sustainability	100	65	70
<i>Complement</i>	Cost savings	100	26	32
	Sustainability	100	74	68
Total			123	277

Table IV.
Overall distribution
of project choice
by condition

indicate a consistent favoring of the sustainability objective across all four conditions and overall (total choice $n = 400$, financial objectives $n = 123$, environmental objective $n = 277$). This suggests employees are apt to engage in environmental objectives when organizations explicitly include them among evaluable performance objectives, a favorable implication for performance management practices.

However, from an agency perspective, choice for the environmental objective should be even greater when it represents the more personally instrumental choice for employees – when it is complementary to financial objectives and/or aligned with stated organizational values for sustainability. There again seems to be more emphasis on financial objectives than our experimental conditions alone would predict. In keeping with findings for the manipulation check that all four conditions are perceived similar in organizational concern for profit, some respondents may be biased toward objectives that most clearly meet this persistent organizational concern. We will explore the notion subsequently in *post hoc* consideration of a status quo bias for financial objectives.

Hypotheses testing

Binary logistic regression was used to investigate all three hypotheses. This approach provides the probability of a dichotomous outcome occurring (whether participants choose the environmental project or not, in this case) based on a set of predictor variables. Variables were entered in a stepwise fashion with the control variables entered first, followed by the contrasted experimental condition of interest and with a separate model for each of the three treatment conditions.

H1 posed that engagement in an environmental performance objective will be greater when it is explicitly complementary vs substitutive to financial performance objectives, both in terms of project outcome and subsequent payoff to the employee. The relevant treatment condition (complementarity/“CostLow”) was contrasted with the status quo condition (substitute/“CostLow”) to test this hypothesis. Results indicated the effect of complementarity on choosing the environmental project was positive and statistically significant, after the effects of sex, extrinsic value orientation and work experience were controlled. An environmental project’s explicit complementary benefits for a financial performance objective explained an additional 2.1 percent of the variance in whether subjects chose the environmental project or not. Interpreting the odds ratio, the odds of choosing the environmental project were 0.50 higher when the environmental project was complementary vs substitutive to financial objectives. Thus *H1* was supported.

H2 posed that engagement in an environmental performance objective will be greater when organizational values explicitly emphasize sustainability. Again, the relevant treatment condition (substitute/“Organica”) was contrasted with the status quo condition (substitute/“CostLow”) to test this hypothesis. *H3* examined the joint effect of both treatments combined (complementarity/“Organica”) in contrast with the status quo. The results reported in Table V indicate that neither *H2* nor 3 were supported. Surprisingly, emphasizing organizational values for sustainability rather than cost savings appeared to ameliorate the beneficial effects of project complementarity. That is, the financial benefits stemming from the environmental project had greater impact on environmental project choice in the context of a financial mission. We next qualitatively explore the potential reasoning for this.

Variable	H1		H2		H3	
	Coefficients	Adjusted Odds ratio	Coefficients	Adjusted Odds ratio	Coefficients	Adjusted Odds ratio
Sex (0 = male, 1 = female)	0.495	1.640	0.513	1.670	0.346	1.414
Extrinsic value orientation	-0.060	0.942	-0.668	0.513	0.193	1.213
Work experience < 1 year	20.244	6.19E9	20.431	7.46E9	-1.026	0.359
Work experience 1-2 years ⁴	-1.454	0.234	-0.811	0.444	-1.997**	0.136
Work experience 3-5 years	-1.040	0.353	0.028	1.028	-1.670*	0.188
Work experience 6-10 years	-0.474	0.623	-0.529	0.589	-1.137*	0.321
<i>Project complementarity</i>						
(0 = substitute, 1 = complement)	0.683*	0.505				
<i>Explicit organizational values</i>						
(0 = cost savings, 1 = sustainability)			0.251	0.778		
<i>Joint effects</i>						
Total Cox and Snell R^2					0.358	1.431
ΔR^2	0.057		0.063		0.089**	
	0.021*		0.003		0.006	

Notes: $n = 200$ for each model. Reference category for work experience dummy coding is "> 10 years". * $p < 0.05$; ** $p < 0.01$

Table V.
Regression results
for tests of
hypotheses

Qualitative exploration of a status quo bias

Individual choice for the environmental objective did not vary across the conditions in the manner predicted, despite confirmation of expected differences in perceived organizational concern for sustainability, the manipulation check for stated organizational values. The consistency of perceived organizational concern for profits across the four conditions suggests a status quo bias toward financial objectives may have contributed to this discrepancy. A status quo bias has implications for employee evaluation of personal utility when considering performance objectives since there is a well-established tendency for individuals to evaluate the status quo more favorably (Kahneman *et al.*, 1991). Based on the coefficient results presented earlier, choice for the environmental objective significantly increased only when stated organizational values were for cost savings and the environmental objective was complementary to this mission. Thus in keeping with a status quo bias, it seems environmental objectives are most attractive when they are saliently linked to a financial mission.

Participants were asked to narratively describe the reason for their project choices upon completion of the scenario. We reviewed these qualitative responses for corroboration of this confounding effect, specifically those responses that were associated with non-choice of the environmental project within the conditions indicating sustainable organizational values. Responses revealed consistent references to two aspects of status quo bias. The status quo offers the rational benefit of complete information whereas any alternative to the status quo presents a degree of risk or necessity for additional information associated with the unknown (Samuelson and Zeckhauser, 1988). In keeping with this, some individuals expressed information uncertainty pertaining to the less-familiar environmental objective as rationale for not choosing this project. Additionally, and more prominently, the status quo of financial performance appears to have taken the form of a social norm, in a similar fashion as was predicted for stated organizational values. That is, even when organizational values explicitly emphasized otherwise (an objective social norm) many participants

expressed an organizational expectation or need for financial performance (a subjective social norm) as their rationale for not choosing the environmental project. Representative quotes demonstrating these two aspects of status quo bias, information certainty and normative obligation, are presented in Table VI.

Discussion

Organizational scholars are increasingly acknowledging the value inherent in null findings and a concern over the publication bias for findings of statistical significance (Kepes *et al.*, 2012; Simmons *et al.*, 2011). The present null findings lend credence to this point and offer counterintuitive guidance for employee engagement in organizational sustainability efforts. Using an experimental design, we manipulated two potentially

Experimental conditions	Form of status quo bias	Representative quotes when environmental project not chosen
Sustainable organizational values and environmental project is a substitute for a financial project	Information certainty for the status quo	"Easiest to do" "looks like the right choice" "good results"
	Normative obligation for financial performance	"Because they will truly help the company succeed unlike the carbon footprint BS" "The first two show a black and white dollar amount of savings. The third shows no saving. I know it's important to do all we can to reduce pollution, but I don't think I'd get this one past the stockholders. I could see it now: 'We're going to reduce our carbon footprint by 30%[...]but it's going to cost us \$100,000.' I'd be on the street corners selling apples" "Green Consumption is not a priority"
Sustainable organizational values and environmental project is a complement for a financial project	Information certainty for the status quo	"30% of what...I like a sure thing not a percent" "Looks easier to deal with" "Sounds easiest" "most feasible to have a positive effect on company"
	Normative obligation for financial performance	"My first obligation is to make the company as reasonably profitable as possible. The increased profitability will then allow us to invest in "good citizenship" type considerations" "companies are in business to make money and grow" "I chose A and B because they will result in the most savings to the company (although less bonus/incentive pay for me)." "[...]it would be difficult to choose an option that means less of a savings to the company unless the company fully supported this"

Table VI.
Representative
quotes of status
quo bias

influential contextual factors: whether an environmental objective complements vs substitutes (status quo) for a financial objective, and whether stated organizational values emphasize sustainability vs cost savings (status quo). Unexpectedly, a consistent majority of respondents favored the environmental objective across all four conditions. It seems that simply specifying and rewarding environmental objectives on par with financial objectives is sufficient to engage employees to some degree. This is a straightforward but impactful point since only 25 percent of the participants in this study indicated their employers tied rewards to sustainability.

Our analysis also indicated that preference for a sustainability objective was significantly higher when the environmental project offered complementary benefits for financial objectives vs representing a competing substitute for a financial objective. However, explicit organizational values for sustainability (corroborated by respondents' perceived organizational concern for sustainability) did not significantly enhance employee engagement in an environmental performance objective relative to the status quo condition in which values emphasized cost savings. In fact, emphasizing organizational values for sustainability rather than cost savings appeared to ameliorate the beneficial effects of project complementarity, suggesting that cost-savings benefits stemming from environmental projects have greater impact in the context of a financial mission. We attributed this to an entrenched status quo bias on the part of employees toward financial performance objectives. Participants' perception of organizational concern for profits and their qualitative justification supported this inference.

Implication for research, policy and practice

While employee engagement may be encouraged by aligning organizational values and performance objectives (MacLean and Behnam, 2010), our results suggest that management scholars must also pay close attention to the role implicit social norms play in translating organizational values when it comes to organizational sustainability. We liken the entrenched status quo bias for financial performance to the emphasis given research over teaching in academia. For instance, faculty at schools that weigh teaching and research equally in their explicit performance standards still tend to perceive subjective norms favoring research, leading some academic institutions to incentivize teaching (Baker *et al.*, 1995). Similarly, board-level stated attention to sustainability performance is simply considered symbolic when not reflected in actual variation of CEO pay (Berrone and Gomez-Mejia, 2009).

Basu and Palazzo (2008) model corporate social responsibility, a construct related to organizational sustainability, as stemming from a sensemaking process that leads organizations to view their relationship with stakeholders in particular ways, influencing perceptions of demands and their decisions for stakeholder engagement. We contend employees throughout the organizational hierarchy also engage in sensemaking to decide their own engagement in the organization's efforts to address stakeholder demands. That is, employees evaluate the organizational environment in a holistic way to make sense of their role in this context, developing a cognitive map to guide their behaviors. As such, a single incentive or a statement of organizational values is unlikely to influence an immediate change in one's cognitive map since an organization's perceived identity is deeply rooted (Brickson, 2007).

Further, full mitigation of the status quo bias toward financial objectives may remain a tenuous endeavor within for-profit companies that rely on annual financial reporting to meet shareholder expectations. In recognition of this, several states within

the USA have adjusted their incorporation laws over the past few years to facilitate a new corporate structure situated somewhere between for-profit and non-profit corporations. These “benefit” corporations, as they are labeled, convey a legal context for balancing shareholder and other stakeholder interests, and would certainly speak to employees’ normative perceptions. The present research therefore indirectly suggests a micro, intra-organizational benefit to this form of incorporation and provides an additional justification for states considering its adoption.

From a more immediate applied perspective, our results underscore employee rewards as an impetus of employee engagement in sustainability efforts. Yet only a minority of the respondents indicated rewards tied to sustainability within their current organizations. Research shows that organizations can accomplish sustainability engagement at the CEO level through an emphasis on long-term compensation tied to the organizational level of performance (Deckop, *et al.*, 2006; Berrone and Gomez-Mejia, 2009). However, as the present findings suggest, sustainability objectives and corresponding rewards defined at the individual project level logically represent a more instrumental performance-reward link for non-executive employees (Freher, 2002; Merriman and Sen, 2012).

Future research

Future research can extend the present study, and address its limitations, in several ways. Clarity is needed regarding the path between organizational values and employee engagement since our findings showed a perceived high organizational concern for sustainability did not predict respondent preference for an environmental objective. One confound to explore is salience and compatibility of organizational values relative to facets of the performance management system, such as behaviors valued for career growth.

The status quo bias for financial performance objectives is another area for further exploration. Relinquishing the status quo involves psychological and transactional costs (Samuelson and Zeckhauser, 1988). Similar to the slack resource view for an organization’s engagement in social performance (see Waddock and Graves, 1997; McGuire *et al.*, 1990), future researchers might seek the threshold at which employees that hold a status quo bias for financial objectives feel these objectives have been sufficiently met to permit engagement in organizational sustainability efforts.

Finally, the generalizability of these findings beyond experimental conditions must be considered. Similar conditions may be replicated within the workplace without reconstructing the organization’s compensation structure and mission. For example, environmental performance objectives can be created through internal goal setting with environmental goals framed to be consistent with entrenched organizational values, and the complementary benefits between performance goals made salient through internal reporting. Some organizations are of course already doing these practices, but generally not in an intentionally integrated and potentially more influential way.

In sum, the integration of organizational sustainability efforts with performance management practices is necessary to embed sustainability throughout the organization. This study provides insights in this regard and offers a platform to engage future research.

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