

Mindset Manifestation: The Environmentally Conscious Mindset

Alex Speed

Faculty Advisor: Dr. Diane Mollenkopf

The University of Tennessee

April 22, 2015

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ABSTRACT

With an ever-growing amount of businesses “going green” it is important to understand how employees are engaging environmentally conscious mindsets within organizations. This research addresses the importance of employee engagement by examining publicly available data of three environmentally friendly organizations. Financial data was compared before and after a large environmental initiative performed by a company. In addition, company’s annual reports, environmental reports, and websites were examined to determine any indication of employee participation. With that information, conclusions were drawn to connect the relationship of financial performance and employee engagement. Companies can potentially utilize this information by having their employees engage more in environmental initiatives to perform better financially.

INTRODUCTION

Many companies are adopting environmentally sustainable business plans. Usually this is coupled with an outward display to the public of the company's intentions. For example, a clothing company may start recycling the water used in its factories and now on every pair of pants there is a tag that says "produced using less water waste". This is seen in Levi's Water<Less Jeans (Levi's, 2015). In some cases it appears that companies are expressing their environmentally sustainable practices to gain favor with customers or to demonstrate compliance with environmental regulation. In other cases, it is because it is the true mindset of the company and ingrained in the company's core values and beliefs.

Fundamentally, a mindset is an attitude, disposition, or mood. It is also an intention or inclination (mindset, 2015). Organizations typically tend to make their mindsets known. One can go to a company's website and see what their views are regarding the environment, business plan, and employee opinions. Unilever explicitly states its environmental goals by saying "We have set a goal to halve the environmental footprint of the making and use of our products by 2020." Coca-Cola mentions its values with "Our values serve as a compass for our actions and describe how we behave in the world." Organizations adopt mindsets that they integrate within the company and display to their customers (Ellen *et al*, 1991). Environmentally friendly mindsets, specifically, are displayed to customers to show that the organization cares. These external displays can have effects on consumer behavior while also having internal effects on the company (Ellen *et al*, 1991).

With an ever-growing amount of businesses going "green" it is important to determine how employees are adopting the mindset and what actions employers are taking to utilize the

mindset. In fact, three quarters of executives expect increased focus on sustainability over the next three years (Green, 2014). It is important to understand the effect that these mindsets have on employees and how they manifest and permeate an organization.

The research conducted in this study will provide insight into the internal effects that an environmentally conscious mindset has on an organization. Research has addressed customer perceptions of an environmental mindset. Research has also addressed how various mindsets affect employees. However, research is needed that addresses effects of an environmental mindset on employees. This study takes publicly available data and analyzes the performance of a company before and after undertaking a large environmental initiative. Due to the relationship between the performance of a company and the engagement of its employees, analyzing the financial performance will be an indicator of employee adoption and engagement of the environmental mindset (Sanborn *et al*, 2011). Due to the growing presence of companies who claim to have an environmental mindset, it is important to understand how the employees engage the mindset.

LITERATURE REVIEW

In researching the connection between an environmentally conscious mindset and employee behavior, many relevant pieces of literature are available regarding organization mindsets and environmentally conscious organizations. In the following sections, research on company mindsets and environmentally conscious organizations will be discussed.

Corporate Mindsets

Fixed Vs. Growth

A company may adopt one of many different “mindsets” which give direction to the organization and how it conducts business. When Carol Dweck interviewed a diverse sample of employees at Fortune 1000 companies, she discovered that the employees had a consensus about the mindset of their organization (Dweck *et al*, 2014). Answers given reflected the characteristics of a growth mindset vs. a fixed mindset. Fixed mindset companies tended to have employees who felt that there were a handful of workers who were highly valued. At times, employees felt discouraged from performing at their highest-level due to fear of failure. In addition, there was no sense of comradery between the employees as there was constant lying and cheating to get ahead in the organization. At growth mindset companies, employees were more committed to the organization and felt that they were encouraged to go outside of the norm (Dweck *et al*, 2014).

Effects on the Company

When the mindset of the company is aligned with the mindset of the employees, it has very positive effects on the company (Dweck *et al*, 2014). Employees who relate more to the company and align with the mindset tend to be more innovative and more passionate about the work they are performing. In a Forbes article, the author details how “rewiring” a company’s

mindset can unlock innovation within a company (Wirthman, 2014). The first step starts with transforming the leaders. For a mindset to truly be successful and positively influence employees, the leaders need to be on board with the ideas. Leaders pave the way for the employees and their adoption of the mindset is crucial. Depending on the type of mindset the organization is looking to pursue, the leaders may need to demand collaboration or independence from their employees. The article also goes on to detail how “changing of thinking” is another way that increases the positive effects that a mindset can have on employees. To move the company forward, a person in a leadership position may have to motivate disengaged employees and reconnect them with the mindset. This article clearly gives instructions on how changing a mindset can make a company more innovative and potentially perform better in the long-term (Wirthman, 2014).

Environmentally Conscious Organizations

CSR & Environmentally Conscious Organizations

Companies are increasingly being held accountable for the consequences of their activities. This increased emphasis placed on Corporate Social Responsibility keeps companies consistently evaluating the social and environmental effects of their actions (Borck *et al*, 2008). In 2005, over 360 different CSR-related shareholder resolutions were filed on various corporate responsibility issues. One of the main focuses of CSR is the environmental effects. As a result of the watchful eye of the consumers, organizations tend to project their environmental practices onto the public so that the company is portrayed positively. CSR initiatives have a positive effect on consumers’ company evaluations when their support for CSR issues is very high (Luo and Bhattacharya, 2006). With the increased focus on corporate actions and the obvious effect it has on consumers, organizations must be increasingly mindful of their actions. It is such an increased

focus that 90% of the Fortune 500 companies have published their explicit CSR initiatives (Kotler and Lee, 2004). This is not only for the benefit of the consumers, but for their employees as well.

Motivation

What motivates a company to choose to adopt an environmentally friendly mindset? Is it the CEO who creates the action, the employees, or the public? Often times, it is the values of the corporation that have been set by those in leadership positions (Ellen *et al*, 1991). One of the main motivators is public perception, which will be addressed in the next section. In other cases, it is simply a desire to help the environment that motivates the company (Kotler and Lee, 2004). Another motivation is that many companies utilize their environmental actions as a recruiting tool (Meister, 2012). This brings more environmentally conscious employees into the organization and allows for the expansion of the environmental mindset. The end result is that different companies are motivated by different factors to adopt an environmentally friendly mindset.

Public Perception

The public truly enjoys purchasing products from a company that they identify with (Sen and Bhattacharya, 2001). Lately, more customers are identifying as environmentally conscious and “green” (Norris, 1997). With an increase in “green” customers, there is an increase for “green” products. However, the price for environmentally friendly goods tends to be higher on average (Xueming and Bhattacharya, 2006). It is up to the customers if they want to pay more for these products. Environmentalists commonly make three distinct claims on environmental issues: there has been a growth of public concern about environmental issues, support for green

policies and ideas has increased, and that there is a larger focus on environmental activism (Norris, 1997). The majority of the public does express worry about issues on the “green agenda”, from the excessive use of pesticides to the risks of nuclear power plants (Daniels *et al*, 2012).

METHODOLOGICAL APPROACH

The nature of this research was both exploratory and quantitative. To understand how these mindsets affect employees, it was determined that financial performance would give some indication of employee engagement. This quantitative research methodology will assist with theory building by examining company's performance in years prior to and after adoption of an environmentally friendly mindset.

According to a report on trends in global employee engagement, organizations with high levels of employee engagement (65% or greater) continue to outperform the total stock market index and posted shareholder returns 22% high than average in 2010 (Sanborn *et al*, 2011). On the other hand, companies with low engagement (45% or less) had a total shareholder return that was 28% lower than the average (Sanborn *et al*, 2011). This means that an increase in financial performance after the adoption of an environmentally friendly mindset could potentially indicate an increase in the amount of employee engagement and satisfaction.

In addition to financial performance, annual reports, environmental reports, and websites of the companies will be searched for any mention of employee involvement with the environmental initiative. An outward display of employee activity would help to establish a connection between financial performance and employee engagement.

Context

Primary data for this research were collected through in depth research of financial performance reports to observe the company performance before and after an environmental undertaking. The organizations researched all have a publicly expressed environmentally friendly mindset. Organizations are in a mixture of industries and have adopted the mindset at

varying times. According to the companies' websites and public messages, all employees of the organization share the same passion that they do for being environmentally conscious.

It was determined that the companies selected for observation would contain certain characteristics that allow for thorough observation. The organizations would need to be publicly traded for ease of access to financial records. They would need to have a large presence so that their company could potentially have a large impact on the environment. In addition, the companies would need to have publicly expressed environmental stances. It was also determined that companies who had undergone an environmental initiative would provide a point in time in which financial performance can be observed prior to and afterwards. The companies to be researched are Starbucks, Exxon Mobil, and IBM. These are three companies that publicly express their stance on environmental issues. These are also companies that, in the past ten years, have undergone large initiatives to pursue environmental goals. Furthermore, these three organizations represent three largely different industries which may give slight indication into which industries have more employees that are eager to engage an environmentally friendly mindset and their organization's goals. These three companies are also global companies that have the ability to impact the environment in a large way, whether it is positively or negatively.

Starbucks

Background

After starting as a single roaster and retailer in Seattle, Starbucks has grown to include over 21,878 stores in many countries. According to the Starbucks company information page, the employees of Starbucks have two goals: "share great coffee and make the world a little better". Starbucks has maintained its "Environmental Stewardship" by working significantly to

reduce its environmental footprint through energy and water conservation, recycling, and green construction. In 2012, Starbucks was ranked as the 90th most green company in the United States by Newsweek and number 2 in its industry (Starbucks, 2015).

Environmental Initiative

One of Starbucks' largest initiatives to reduce its environmental impact came after the backlash it faced in 2008. Due to its under-counter faucets constantly running in all 10,000 stores, Starbucks was wasting roughly six million gallons of water per day. In 2009, a solution was found and implemented along with the company announcing a goal to reduce water waste 25% by 2015. This included removing all the under-counter faucets and implementing analytics to identify stores that were using inordinate amounts of water. According to Starbucks' 2013 report, water consumption had seen a decrease of 21.1% since 2008. The time frame from before the implementation of this water-saving initiative to present day will serve as the time frame for data collection (Starbucks, 2015).

Exxon Mobil

Background

Exxon Mobil is a manufacturer and marketer of commodity petrochemicals and also has interests in electric power generation facilities. The company includes many divisions and brands with names that include ExxonMobil, Exxon, Esso, and Mobil. The different divisions offer varied products in the United States and other countries. Their principal business is energy which involves the exploration for, and production of, crude oil and natural gas. In addition, this includes the manufacturing of petroleum products and the transportation and sale of crude oil, natural gas, and petroleum products. Due to Exxon's involvement in the energy industry, they

have a large impact on the environment. In 2012, Exxon Mobil was ranked 370 in Newsweek's Green Rankings of U.S. companies and was number 13 in its industry (Exxon, 2015).

Environmental Initiative

In 2006, Exxon Mobil developed a new approach that optimized its drilling. This was dubbed the Exxon Mobil Fast Drill Process. The process utilized real time analysis of the energy consumption of the drilling system to maximize the rate of penetration. Implementation of this process resulted in significant gains in drilling performance and increases in footage per day. To this day, the drilling rate has improved more than 80% since introducing the Fast Drill Process. According to the Exxon Mobil website, this results in an annual energy savings equivalent to removing 1200 cars from the road. In addition, the additional reduction in fuel consumed means a proportionate decrease in air emissions. Financial information will be analyzed prior to the introduction of the Fast Drill Process and in the years following the introduction (Exxon, 2015).

IBM

Background

IBM provides information technology products and services worldwide. The company's Global Technology Services segment provides infrastructure and business process services to its customers throughout the world. The company's Software segment provides middleware and operating systems software to integrate and manage business processes. In 2012 it was ranked as the number 1 green U.S. Company by Newsweek, based on its environmental impact, management, disclosure, and "green score" (IBM, 2015).

Environmental Initiative

IBM announced its green initiative, “Project Big Green”, in 2007. This initiative unveiled a \$1 billion-a-year service initiative that was aimed at building and redesigning data centers that consumed less energy. The project utilized 850 Global Technology Services employees to redesign IBM’s data centers and those of its customers. Senior Vice President, Mike Daniels, stated that this was an opportunity for IBM to become leaders in the industries for its clients. IBM also claimed that there were huge potential savings in going green and that new data centers would save up to 42% on energy consumption. Financial information will be analyzed prior to and after this initiative to determine its effects. (IBM, 2015).

Data Collection and Analysis

To best analyze company performance prior to and after adoption of the environmentally friendly mindset, there was heavy use of financial ratios. These ratios were categorized into four different categories: profitability, efficiency, leverage, and liquidity. These ratios take aspects of the organization’s balance sheet and income statement to create a standardized number to track performance throughout the years.

Ratios

Profitability Ratios

The profitability ratios will help to evaluate the company’s ability to generate profits. The ratios that will be used are Gross Profit Margin, Operating Profit Margin, Net Profit Margin, Return on Assets, and Return on Equity.

Efficiency Ratios

The efficiency ratios will help evaluate how efficiently the organization manages certain key balance sheet assets and liabilities. The efficiency ratios used will be Receivables to Sales, Average Collection Period, Accounts Payable to Purchases, Average Accounts Payable, Inventory Turnover, Average Days in Inventory, and Fixed Asset Turnover.

Leverage Ratios

The leverage ratios will help to evaluate how the organization utilizes debt. The ratios that will be used are the Debt-to-Equity ratio and Interest Coverage.

Liquidity Ratios

The liquidity ratio will help to evaluate the company's ability to meet financial obligations. The ratios used will be the Current Ratio and the Quick Ratio.

Analysis

Analysis of the data will first begin by determining if there was an improvement of the company's performance after a large environmental initiative. Considerations will be taken if there are improvements in some areas and declines in others.

Analysis will also take place regarding the annual reports of the companies. Observations will be made as to how often the environmental aspects of the organization are mentioned. There will be a search for any mention of employee engagement or attitudes towards the initiative being observed. Any mention of employee engagement will help greatly to determine the engagement and attitudes of the employees.

RESULTS

Starbucks Corp. (NMS: SBUX)											
Report Date	09/28/2014	09/29/2013	09/30/2012	10/02/2011	10/03/2010	09/27/2009	09/28/2008	09/30/2007	10/01/2006	10/02/2005	10/03/2004
Efficiency Ratios											
Receivables/Sales	0.038771143	0.038080337	0.036956277	0.0333151	0.028578366	0.02823645	0.032167967	0.030932911	0.029292372	0.030433643	0.026907887
Avg Collection Period	14.15146707	13.89932314	13.48904094	12.16001162	10.43110372	10.30630409	11.74130791	11.29051255	10.6917157	11.10827956	9.821378753
Accounts Payable/Purchases	1.234559334	0.997363083	0.55967946	1.25202875	1.185900126	0.699947589	0.860206513	1.151434447	1.039280478	0.691097593	0.85225927
Avg Accounts Payable	450.6141568	364.0375254	204.283003	456.9904939	432.853546	255.48087	313.9753773	420.2735731	379.3373744	252.2506216	311.0746335
Inventory Turns	15.07727564	13.40190785	10.71244462	12.11472355	19.70808025	14.70085727	14.98700924	13.60715411	12.23934727	11.65899992	12.52592964
Avg Days in Inventory	24.20861757	27.23492835	34.07252152	30.12862808	18.52032239	24.82848403	24.3544255	26.82412479	29.82185176	31.30628719	29.13955375
Fixed Asset Turnover	1.91674727	1.913647987	1.926598195	1.89846019	1.818296059	1.714571383	1.816067025	1.848555498	1.907299695	1.917266142	1.97798871
Profitability Ratios											
Gross Profit Margin	0.582995902	0.571433368	0.562893342	0.576997368	0.583596391	0.557536881	0.55260522	0.575080989	0.591779289	0.590973576	0.584708836
Operating Profit Margin	0.171013753	-0.038731685	0.134343396	0.130303237	0.118730971	0.04502486	0.037590292	0.100508878	0.10273802	0.110509789	0.103784353
Net Profit Margin	0.125712861	0.000590913	0.104116696	0.10666302	0.088564918	0.039981176	0.030386208	0.07146982	0.072462207	0.077632864	0.074000136
Return on Assets	0.19	0.00	0.17	0.17	0.15	0.07	0.06	0.13	0.13	0.14	0.12
Return on Equity	0.392077668	0.001963278	0.270740053	0.284457411	0.257529262	-	-	-	-	-	-
Liquidity Ratios											
Current Ratio	1.371869549	1.017499489	1.900443479	1.828162636	1.549322691	1.287666034	0.79828287	0.787026238	0.79033488	0.985605495	1.747790493
Quick Ratio	1.012867345	0.81085303	1.33862793	1.362896233	1.243943567	0.867109424	0.481892497	0.466155525	0.461643298	0.540372585	1.207977215
Leverage Ratios											
Debt-to-Equity Ratio	1.039301973	1.570108477	0.607692308	0.678031426	0.735733529	0.831040483	1.277329479	1.339581554	0.987403669	-	-
Interest Coverage	40.13104524	-	-	-	-	-	-	-	-	-	-

Exxon Mobil Corp. (NYS: XOM)											
Report Date	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Efficiency Ratios											
Receivables/Sales	0.064604125	0.069141506	0.074242123	0.041181168	0.079504929	0.069450867	0.067359418	0.072253581	0.072236706	0.077785906	0.066260141
Avg Collection Period	23.58050571	25.23664978	27.09837479	15.03112631	29.01929915	25.34956645	24.58618768	26.3725571	26.36639753	28.39185564	24.18495156
Accounts Payable/Purchases	0.214107769	0.252749307	0.270113739	0.146892814	0.226944631	0.214093982	0.195012391	0.228143136	0.264216315	0.276921385	0.247729883
Avg Accounts Payable	78.14933554	92.25349694	98.59151473	53.61587708	82.83479032	78.14430335	71.17952262	83.27224473	96.43895484	101.0763057	90.42140736
Inventory Turns	31.08552982	28.52381319	26.09711763	39.46239052	35.19956714	34.11116296	38.51035297	30.70011595	26.46578095	24.90691621	26.49506579
Avg Days in Inventory	11.74179762	12.79632557	13.98621891	9.249312958	10.3694457	10.70030947	9.477970776	11.88920591	13.79139352	14.65456409	13.77614998
Fixed Asset Turnover	2.175627958	1.854816886	2.167256103	3.787343629	3.229347475	3.21467714	3.35440613	2.680915693	2.258409946	2.116589425	2.337191134
Profitability Ratios											
Gross Profit Margin	0.429298823	0.465156366	0.493180763	0.457211927	0.488896518	0.500513042	0.484004959	0.521980965	0.545850313	0.547397598	0.559319444
Operating Profit Margin	0.115318321	0.107701452	0.085210614	0.139192609	0.144109569	0.15113266	0.132905239	0.118309917	0.093995461	0.069435528	0.095732438
Profit Margin	0.156857497	0.143084093	0.1153466	0.17788019	0.180550716	0.184427048	0.1655695	0.141599028	0.134846913	0.087136537	0.115172121
Return on Assets	0.221285478	0.175065287	0.149050887	0.358470875	0.291116233	0.307750611	0.285271318	0.21121502	0.183419594	0.114711355	0.168459357
Return on Equity	0.455737073	0.346864991	0.301381378	-	-	-	-	-	-	-	-
Liquidity Ratios											
Current Ratio	0.941397329	0.941739977	1.060966943	1.471812627	1.474190561	1.552266628	1.583821021	1.404736977	1.19731152	1.154212509	1.184864183
Quick Ratio	0.747551771	0.734564846	0.839054186	1.234623218	1.284023872	1.332793904	1.382533958	1.18401154	0.96397124	0.911017332	0.922394899
Leverage Ratios											
Debt-to-Equity Ratio	1.059498333	0.981346485	1.022003258	-	-	-	-	-	-	-	-
Interest Coverage	296.5870445	204.4749035	63.46167883	121.4710253	176.185	103.0611621	119.8225806	64.64106583	154.4251208	43.99497487	82.31740614

International Business Machines Corp. (NYS: IBM)											
Report Date	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Efficiency Ratios											
Receivables/Sales	0.102069718	0.104558719	0.108481025	0.112115959	0.105239795	0.115684409	0.118010588	0.104681019	0.109270663	0.112486116	0.122126968
Avg Collection Period	37.255447	38.16393243	39.59557425	40.92232503	38.41252533	42.22480918	43.07386463	38.20857199	39.88379218	41.05743232	44.57634321
Accounts Payable/Purchases	0.569790771	0.568823883	0.542924725	0.546523593	0.444599391	0.486587724	-	-	-	-	-
Avg Accounts Payable	207.9736314	207.6207173	198.1675247	199.4811113	162.2787779	177.6045191	-	-	-	-	-
Inventory Turns	45.69610844	41.20077071	40.76326531	38.39534884	38.36727138	37.08183183	32.53523132	32.0781415	29.03890229	30.2960571	25.78970775
Avg Days in Inventory	7.987551073	8.859057578	8.954140382	9.506359782	9.513316607	9.843095175	11.21860781	11.37846468	12.56934564	12.04777238	14.15293277
Fixed Asset Turnover	2.743830078	2.877179763	2.708926682	2.664385086	3.003855184	2.865771228	2.783667753	2.963129146	2.950062804	2.747310668	2.599532516
Profitability Ratios											
Gross Profit Margin	0.866458706	0.859955479	0.856072895	0.857912655	0.847766091	0.832445893	-	-	-	-	-
Operating Profit Margin	0.481288335	0.468947585	0.460728948	0.457246392	0.440615652	0.422418156	0.418872506	0.400860272	0.37419127	0.370443505	0.373019979
Profit Margin	0.209574478	0.196443937	0.197486733	0.189414984	0.161294992	0.146670581	0.145661971	0.134154103	0.12491043	0.122000202	0.092676077
Return on Assets	0.183721574	0.180387004	0.173844445	0.16637009	0.152614952	0.120309555	0.128998198	0.11561448	0.11016367	0.104100252	0.077981842
Return on Equity	1.153708386	1.037902748	0.851156568	0.797099539	-	-	-	-	-	-	-
Liquidity Ratios											
Current Ratio	1.13313467	1.209030696	1.18623342	1.359230043	1.154801461	1.200112841	1.113965728	1.298958807	1.180210061	1.187282322	1.205557164
Quick Ratio	1.080710602	1.147425397	1.12583206	1.289956114	1.091151172	1.139990973	1.043875184	1.218138371	1.096889291	1.109656992	1.114442836
Leverage Ratios											
Debt-to-Equity Ratio	5.279656553	4.753755683	3.896038322	3.79112283	-	-	-	-	-	-	-
Interest Coverage	47.7167756	51.10218978	53.5951087	45.11940299	24.83655275	23.71358429	47.9028777	55.57272727	86.5323741	74.99310345	51.88965517

(Gaps in results due to a lack of available information.)

As seen in the three data sets above, there are varying effects that the environmental initiative (taken place in the year highlighted in green) had on the organization. The section below will discuss the effects on each company individually.

Starbucks

Starbucks' initiative was one of ongoing improvement. It involved the implementation of numerous water saving faucets throughout all stores. Naturally, this was a long process due to the sheer amount of stores that Starbucks needed to implement these measures. The ratios show a glimpse into the effects that this initiative had on the operations of the company. Due to the nature of the undertaking, the financial performance of the years following the initiative needed to be monitored.

Efficiency

Regarding the efficiency ratios, the initiative did not seem to have much of an effect on the operations of the company. Any large increases or decreases in the ratios were in categories that were historically volatile. For example, in the Accounts Payable to Purchases ratio, the number went from .86 in the year prior to the initiative to .69 the year of it. The following year it

went up to 1.18 and then two years later it was back down to .59. This volatility is similar to the kind seen prior to the initiative as well. Therefore it's hard to attribute any changes to the environmental initiative itself.

Profitability

In this section, the Operating Profit Margin was largely affected by the environmental initiative that was undertaken. Prior to 2008 and 2009, the Operating Profit Margin was hovering around the 10% mark. However, once the initiative was underway the operating margin decreased down to around 4%. This was most likely due to the large costs associated with the new technology for the water saving initiative. However, in just one year after the initiative, the operating profit margin shot up to 11% and has been on a steady increase ever since. The operating profit margin in 2014 was 17%, which is the highest the operating profit margin has ever been. This could be due to one of many factors, however it does give an indication that the employees may be engaging in the new environmental initiatives.

Another noteworthy change that took place around the time of the environmental initiative was the Return on Assets. Prior to the initiative, Starbucks was operating at around a 13% Return on Assets. Again, there was a dip during the year prior to and the year of the initiative which may reflect the large costs associated with the initiative undertaking.

Liquidity

The environmental initiative undertaken by Starbucks seemed to have a large effect on the liquidity of the company. Both the current and quick ratios of the company were in a decline in the years prior to the environmental initiative. In the year of the initiative those ratios almost doubled in value and then continued to increase for the few years following. It would seem that

the undertaking greatly increased the amount of current assets of the company or decreased the amount of current liabilities of the company. The effect could have been two-fold as Starbucks was indeed buying more assets and at the same time could have been reducing their liabilities.

Leverage

To proceed with the environmental initiative, it seems that Starbucks was very interested in increasing equity to finance the project. It could even be that the announcement of the new plan encouraged more investors to stake their equity with the company. It also seems to have had a prolonged effect. The amount of equity increased following the start of the initiative and has continued to increase in future years.

Conclusion

In the case of Starbucks, there is clear evidence that undertaking the environmental initiative caused them a financial hit during that year. Most ratios relating to profitability experienced some decrease as opposed to previous years. However, in the years following, the profitability of the company surpassed its previous levels. The Efficiency of the company seemed to be unaffected, and the Liquidity of the company increased. In addition, this move seemed to have impressed stockholders as the equity in the company increased while the debt simultaneously decreased. There are, of course, numerous factors that can cause these types of changes in the performance of the company. However, the engagement of the employees is essential for exceptional performance and it seems that Starbucks's employees must have had some sort of engagement with the company's mindset and initiative.

Exxon Mobil

The environmental initiative undertaken by Exxon Mobil had a dual goal of both reducing energy consumption but also increasing the profitability of its drilling process. Due to this, it may be hard to attribute any profitability increases to the engagement of the employees.

Efficiency

Regarding the efficiency of Exxon Mobil, the environmental undertaking in 2006 did not seem to have much of an effect on the company. Many of the ratios stayed steady throughout the year of the initiative and into subsequent years. One thing to note though is the increasing inventory turns prior to and the years following the initiative. Exxon Mobil was consistently operating in the mid-twenties for inventory turns. However, around the time of the initiative that number jumped up to the mid-thirties and almost reached forty. It then died back down again to the mid-twenties/low thirties.

Profitability

Regarding profitability, Exxon Mobil actually saw an increase in the year that they introduced the new drilling technology. Prior to this year, the profitability of the company was already on a steady increase. Between 2002 and 2006, the operating profit margin increased from 6.9% up to a peak of 15% during the year of the initiative. However, the following years saw a steady decline in the operating profit margin of the company. This continued on for three years until 2009 where it reached 8.5%. After this, Exxon Mobil again saw an increase in its operating profit margin. The trends in Operating Profit Margin are also seen in the Gross and Net Profit Margins.

Liquidity

Similar to the profitability section, the liquidity of Exxon Mobil was on a steady rise on the years leading up to the environmental initiative. In the year of the undertaking itself, liquidity saw a very slight decrease which was then followed by a steady decline in subsequent years. This decline is unnerving as it could mean either a decrease in current assets or an increase in current liabilities, or a combination of the two. If this is the case then Exxon is opening itself up to potentially not being able to repay debts that they owe.

Leverage

Unfortunately due to a lack of information, it is hard to see the effect that the environmental initiative had on the debt-to-equity ratio of Exxon Mobil. However, the data did provide enough information to observe the interest coverage of the company. According to the numbers found, Exxon Mobil is in a very good position to cover its interest expenses. It also appears to be volatile, with the environmental initiative not having much of an effect on the interest coverage.

Conclusion

In the years leading up to the environmental initiative of Exxon, the company seemed to be steadily improving performance. However, following the implementation of the new drills, the profitability of the company began faltering. Due to the scale of Exxon Mobil as a company, the faltering profitability cannot be attributed to this one factor. However, the environmental initiative seems to have caused a decrease in the company's performance. If employee engagement is a factor in this case, then this would indicate a lack of engagement from the employees on the new initiative.

IBM

IBM's "Big Green Initiative" clearly states in its name that a focus of their initiative is on the environment. This initiative was also very upfront about the costs and manpower associated with the undertaking. However, IBM also saw the potential for large cost savings through the initiative.

Efficiency

Whether or not due to the environmental initiative, IBM saw some major improvements in a few aspects of the efficiency of the company. Most notably is the increase in Inventory Turns of the company. Prior to the environmental initiative, IBM was already seeing a steady increase in Inventory Turns. There was around a seven-point increase from 2002-2007. After the environmental initiative, the Inventory Turns continued to increase around another seven points throughout the next five years.

Profitability

The profitability of IBM also saw an increase following the "Big Green Initiative". Similar to the efficiency of the company, IBM's profitability was already on a steady increase in the years leading up to the initiative. However, in the five years preceding the initiative, IBM's Operating Profit Margin saw an increase of 5%. In the five years following the initiative, saw an increase of 4%. So while the initiative did not negatively affect any profit margins, it may have slightly slowed the growth of IBM's margins. It is clear from these numbers though that IBM was very prepared to bear the high costs of the initiative as the company still remained steadily profitable throughout the implementation of its initiative.

The Return on Assets was another aspect where IBM saw a large increase after the implementation of The Big Green Initiative. In the five years leading up to the initiative the return on assets increased around 2%. However in the immediate years following the initiative, there was an increase of 6% on the Return on Assets of the company.

Liquidity

The liquidity of IBM is one of the few factors that seemed to struggle in remaining steady throughout the implementation of the initiative. In the years prior the implementation, the liquidity of the company was rather volatile in that the current ratio was going from as high as 1.29 to as low as 1.11. In the year of the implementation, the current ratio increased .9 from the previous year, up to 1.2. However, the subsequent year saw a decrease of .05 and brought the current ratio back down to 1.15. While IBM was always able to cover its liabilities during the implementation period, there were times when the quick ratio dipped dangerously low.

Leverage

Again, due to a lack of financial data available, it was not possible to observe the debt-to-equity ratio of IBM throughout the implementation process. However, the interest coverage ratio, shows that the company incurred quite a large interest expense during the time of the big green initiative. It is interesting that this did not have much effect on the profit margins of the company, even though there was such a significant dip in the ability of IBM to cover its interest expenses.

Conclusion

IBM was clearly well prepared to undertake this initiative and knew the costs associated with it far beforehand. This is clear in the fact that they did not seem to falter in their profitability

or efficiency throughout the process. On the contrary, they actually steadily increased these aspects throughout the implementation period. Furthermore IBM placed a large emphasis on the human capital aspect of the initiative. This may indicate that the employees were engaged with the process from start-to-finish and had a hand in making sure that the project was successful.

Annual Reports

In addition to analyzing the financial performance, annual reports, environmental reports, and company websites were analyzed to identify potential proof of employee engagement.

Starbucks

The Starbucks Social Responsibility Standards report sets the standards Starbucks expects for its employees and its suppliers. In 2008, Starbucks employees and their roles were mentioned twelve times. In addition the expectations Starbucks has for the employees, suppliers were mentioned nine times. This indicates that employee engagement on environmental issues is very important to the company and to their success. It may also indicate that the overall improvement in financial performance could be in relation to the employee engagement.

Exxon

The Exxon environmental performance page on the website and the company's annual report were both analyzed to find mention of employee engagement in environmental practices. After a thorough search, employees were found to be mentioned only three times. Two of the mentions were quotes from an employee regarding a subject unrelated to environmental performance. While Exxon does seem to put a large emphasis on being environmentally proactive, employee engagement of the practices does not come to the forefront.

IBM

The IBM Policies and Principles page on their website indicates the business conduct, ethics, and stance on environmental affairs. While employees are scarcely mentioned in the environmental affair sections, there is one quote that attention should be brought to. IBM states that “Every employee on IBM premises is expected to follow this [environmental] policy, measure progress of IBM’s environmental affairs performance, and report periodically to the Board of Directors”. This shows that IBM has an emphasis placed on employee engagement with its environmental goal and understands their part in achieving goals.

Overall

Looking at all the companies, it seems that the industry and the company’s performance prior to the initiative have a large effect on the performance of the company after the implementation. For example, IBM seemed to be already be performing very well in the years leading up to their undertaking. Therefore the implementation process was rather successful. Exxon, on the other hand, was already showing some signs of decline leading up to the year of the initiative.

One thing to note is that undertaking an environmental initiative did not seem to have too large of an effect on the efficiency of the company. The effects lay heavily within the profitability of the company while some had effects on liquidity or leverage.

Regarding employee engagement, as mentioned before it is hard to attribute whether the company’s initiative was successful based solely on those grounds. However, for IBM, over 850 employees were going to be utilized for their initiative. Therefore their engagement was essential for the initiative to be successful in the long run. Starbucks’s initiative had an effect on every

single employee in the stores who had to use the faucet system that was more effort on their part to use since there was not a constant flow of water like there had been before. The engagement of employees in this scenario most likely played some part in Starbucks's ability to recover from the hit it took after the initiative. Exxon's new technology may not have had much of an effect on the employees as they still went about their daily work as usual. The new technology may not have operated any differently than the old technology and therefore the engagement of the employees would not have had as much of an effect.

DISCUSSION

The three different industries show surprisingly similar results in regards to the environmental initiatives that they undertook. Prior to the initiative the companies were operating well. Then there was a large dip during the year of the initiative, followed by an increase to levels that surpass those prior to the initiative.

This use of financial ratios and annual company reports shows a small glimpse into the engagement of these environmental initiatives from the employees. However, it is difficult to attribute any success of the company following the initiative solely to the employee's engagement. It would be difficult for the company to perform well without employee engagement, however there are certainly other factors involved in the process. In addition, employee engagement does not necessarily indicate that an employee agrees with the initiative or cares for it. To fully understand the employee's thoughts and feelings, the employees themselves must be interviewed.

CONCLUSION

Due to the nature of the research, it is hard to definitively say that a company performed better or worse due to employee engagement. However, the research does provide some information that may be an indicator of employee engagement. In Starbucks' case, the company performed better fiscally after their large environmental undertaking. In addition, Starbucks mentions employee engagement and their expectations of employees quite frequently in annual reports and environmental reports. For IBM, the company performed better throughout the environmental initiative and into years following. In addition, IBM mentions multiple times that their employees are expected to follow and uphold the company's environmental policy. Exxon's performance declined in the years following the environmental initiative. In addition, their reports and website made very little mention of any employee engagement or expectations. From this, a conclusion can start to be formed that employee engagement may have some effect on financial performance.

Another conclusion that can be made from this is simply the effect that an environmental initiative has on a company. From the three companies compared, the initiative had three different effects. For Starbucks, it first caused a financial decline then the company improved in the long run. For IBM, the company consistently improved throughout the initiative and continued to improve afterwards. For Exxon, there was initially improvement followed by a decline in performance the years after the initiative. There are numerous factors to consider in addition to just the initiative, however conclusions can start to be drawn from the data that is provided.

AREAS OF FUTURE RESEARCH

To truly grasp the engagement of employees and the permeation of a mindset, qualitative interviews with various employees within an organization would be needed. The nature of this research would be both exploratory and qualitative. To understand how these mindsets affect employees, the employees themselves need to be questioned in order to gain more insight into the subject. This qualitative research methodology will assist with theory building by examining employee's perceptions, behaviors, and reactions to an environmentally conscious mindset. Qualitative research is necessary as it will allow the employees to more fully express their attitude towards the mindset. Primary data for this research would be collected through in depth interviews to understand the permeation of an environmentally conscious mindset in their organization. The participants would all be employees from the same environmentally conscious organization that is known to publically display its beliefs. Participants would be at various levels in the organization ranging from front line employee up thru managers to potentially executive level employees. Ideally, the company would also have expressed some message implying that all employee's share the same values as the company.

The initial questions of the interview would be broad and open-ended, allowing for the participant to lead the conversation. Questions such as "Tell me about what you do here" would have the participant highlight their role and also the aspects of their job that they felt were most important. When a topic related to an environmentally conscious mindset was mentioned, the participant would then be probed to provide more information on that subject. If an interview was reaching close to the end with no mention of a company mindset, more probing questions would be asked to steer the conversation towards environmental issues within the organization. Questions such as "According the company website, your company feels this way about the

environment. How do you feel about that statement?” would allow the employee to elaborate more on the subject and express their beliefs. Transcripts of the interviews would then be imported into a qualitative data analysis software where various themes from the interviews could be analyzed.

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